

HISTORY OF PERFORMANCE BUDGETING IN MONTANA

A Report Prepared for the
Committee on Efficiency in State Government

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OVERVIEW

Montana's involvement with some level or definition of performance budgeting goes back 20 years. There are certain things the state does today and has been doing for the last several years, and other thoughts, initiatives, and "wouldn't that be a good ideas" that have been discussed over the years.

This report contains a history and overview of the efforts of the last several years. Given the looming presence of Washington State in any discussion of priority-based budgeting, a separate report gives a 35,000-foot-level overview of how that process works.

MONTANA PERFORMANCE-RELATED HISTORY

ZERO-BASED BUDGETING

The State of Montana undertook zero-based budgeting in the 1970s. A report on the project was written by John Fitzpatrick. A copy was mailed to the committee and is also attached (Attachment A).

POSTSECONDARY EDUCATION POLICY AND BUDGET COMMITTEE (PEPB)

The PEPB has participated in various types of priority setting since FY 1992. The PEPB, which was last used in the 2007 biennium, has been composed of legislators, Board of Regents members, and a representative of the Governor's Office. When the PEPB was first established it also included the Commissioner of Higher Education, which later incarnations did not include.

Incentive Funding

In FY 1992, the first iteration of the PEPB was charged with looking at the concept of "incentive funding" for the Montana University System (MUS) and as a way for the legislature to determine what if any changes in MUS funding it would provide. Among the most basic questions of that examination is how you tell what you want them to accomplish and how the budget can be used to help get it accomplished.

The committee did not pursue the concept, opting instead for an alternative funding methodology.

Shared Policy Goals and Accountability Measures

Beginning in the 2003 biennium, the PEPB in partnership with the MUS began to aggressively pursue the definition of shared policy goals for the MUS.

2005 Biennium

In the 2005 biennium, the PEPB and the MUS agreed on a set of goals and performance measures that can be found at the following website:

http://leg.mt.gov/content/Committees/interim/2003_2004/edu_local_gov/sub_com/pepb/accountability_measures_from_03_interim1.pdf

2009 Biennium

In the 2009 biennium, the PEPB adopted a further shared goals and accountability measures statement, found at the following website:

http://leg.mt.gov/content/publications/fiscal/subcommittees/PEPB/2007_interim/Shared_Goals_2009_Bien_June08_Version.pdf

The committee did not make any recommendations on accountability measures for any of the budgeting initiatives proposed by either the Governor or the MUS in the 2009 Legislative Session.

2013 Biennium

The 2011 Legislature passed SJ 28, which called for an interim study of performance-based funding for K-12 education and an implementation plan for the 2013 Legislature. The Education and Local Government Interim Committee conducted this study and the committee and the Board of Regents, Board of Education, Board of Public Education, Superintendent of Public Instruction, and Commissioner of Higher Education signed agreements outlining those shared policy goals and accountability measures.

These goals and accountability measures are included as Attachment B and can also be found here:

http://leg.mt.gov/css/Committees/Interim/2009_2010/Education_and_Local_Government/Subcommittees/HJR6_SJR8/default.asp

PERFORMANCE BASED BUDGETING (PBB) PILOT

The 1993 Legislature endorsed a performance based budgeting pilot program through language in HB 2 that: 1) encouraged the Governor to foster development of a mission-driven, results-oriented budget system to enhance flexibility and improve decision making information available to the 1995 Legislature; and 2) specified four departments (the Departments of Revenue, Administration, Military Affairs, and Transportation) that should be involved in the PBB project designed by the Executive Branch.¹ The following is the submission of one of the pilot functions, the Air National Guard Program.

Table 1 Air Guard Program PBB Goals and Performance Targets 1997 Biennium	
Goals	Performance Target
#1 -Provide reliable facilities and utilities to meet readiness requirements and satisfy installation needs.	- Achieve satisfactory or higher rating for all outside agency directed inspections, audits, and staff assistance visits.
#2 -Conduct all activities in compliance with environmental, fire, and safety laws and directives	-Achieve satisfactory or higher rating for all environmental and safety inspections, audits, and staff assistance visits.
#3 -Operate, maintain, repair, and construct real property and installed equipment to accomplish mission in most economical manner.	-Achieve satisfactory or higher ratings on ANG Civil Engineer Technical Services assessments.
#4 -Provide effective management of contracted services including garbage, design, and grounds.	-Complete all as estimated to customers and control contract services costs within acceptable parameters.

¹ "The governor is...encouraged to foster development of a mission-driven budget system, including the development of flexible, unified budgets and the development of an incentive system to encourage agencies to generate cost savings and reduced expenditures. This initiative should include working toward the development of a results-oriented system for budgeting, including budgeting by performance and outcome measures and seeking flexibility and improvement in the quality of decisionmaking information available to the legislature in the 1995 session. The departments of administration, revenue, military affairs, and transportation should be used for pilot projects in developing an innovative budget system." [Language attached to the Governor's Office appropriation - HB 2 – 1993 Legislative Session.]

There are a number of potential reasons why this project was not continued. Please note that this list is not the result of a formal postmortem but is based on staff observations at the time.

- If the executive used the information, it was not done in a way that translated to the budget
- If the process was used as a management tool by the pilot agencies, neither the process nor the impacts were formally communicated
- The legislature had no basis with which to use the information during the session
- The staff member in the Governor's budget office who had personally attempted to keep the process operating left state employment

LEGISLATIVE FINANCE COMMITTEE

There were two primary types of projects undertaken to some degree by the Legislative Finance Committee (LFC): 1) an early version of prioritization of state functions; and 2) performance measurement.

Prioritization of State Functions

The LFC first began discussing an early version of priority-based budgeting in March 2004. This report is attached (Attachment C) and can also be viewed at the following website:

http://leg.mt.gov/content/publications/fiscal/interim/financecmty_mar2004/Program_Priorities.pdf

The original impetus of the overall project of which this report was a part was an attempt to compare the natural rate of growth in revenues to ongoing pressures on expenditures. Because expenditure pressures are generally consistently greater than the natural growth in revenues, the purpose of the project was ultimately to aid the legislature in prioritizing state government. The following was taken from a follow-up report:

The legislature is essentially the board of directors of the State of Montana. As such, it is the legislature's responsibility to determine what the purpose and scope of state government will be. In order to do this, the legislature must understand what state government currently does, and determine priorities. However, budgeting generally takes place at the "margin", with the implicit assumption that ongoing programs within the base should be continued. Consequently, the larger issues of ongoing public policy can be either overlooked or diminished. Therefore, the primary purpose of this project is to provide the legislature with the information it needs to:

1. Put the budget into a more comprehensive, public policy oriented context.
2. Prioritize a greater range of services based upon desired public policy.
3. Understand more fully how the legislature can influence and control more areas of the budget.
4. Make informed decisions within the context of this knowledge.

As indicated in the report, staff identified several categories of "purposes" of state government and assigned various functions into the categories. These categories were strictly a means of cataloging what state government did and were not in any way a prioritization of those functions.

- **Provision of justice and protection of life and property** - Operation of the means of citizens to seek justice and remediation (all courts); operations to protect the citizenry from violent/fraudulent/etc. behavior and pursue justice against those who perpetrate such acts.
- **Reduction of incidence and impact of poverty and disability** - Services that enhance the productivity and productive capacity of economically disadvantaged or disabled (mentally or physically) citizens and/or enhance their quality of life through provision of food, housing, medical services, etc.
- **Enhancement and promotion of the public health** - Services designed to improve the quality of life and health of either all citizens or those pertaining to targeted behaviors or conditions. Reducing the costs to the state of the previous category is a corollary purpose.
- **Provision of workforce support** - All services provided that support a trained and productive workforce, including those specifically designed to protect health and economic status. Would not include services designed specifically for the economically or developmentally challenged.

- **Development of full educational potential of state's citizens** – Services designed to enable citizenry to have the mental capacity to be productive, creative, innovative, and self-sufficient.
- **Consumer/citizen protection** - Services designed to protect the health and safety of citizens from sources related to activities and/or consumption of products.
- **Economic/business development** - Services directly related to improving business climate and/or creation of jobs or designed to aid specific businesses or types of businesses.
- **Protection/enhancement/remediation of natural resources** - Services conducted to protect from or eliminate or alleviate past or current harmful impacts to the state's natural resources; and/or restore productive capacity of those resources.
- **Preservation/enhancement of recreational/cultural resources** - Those services not related directly to the health and safety of citizens or the environment but that enhance people's experience of living in Montana.
- **General operation of state government** - Those functions designed specifically for the operation of state government in support of other governmental programs and/or activities.
- **Governmental and physical infrastructure** - Those operations that either provide for the state's physical infrastructure, such as roads, or without which government would not function, such as the legislature, the Governor, and revenue collection.

The next step was to be a compilation of amount and source of expenditure for the components and categories. Because the LFC had other priorities, this project was not pursued beyond this report.

An offshoot of this project was the discussion by members of the LFC with the entire legislature of a performance measurement project.

Goals and Performance Measurement

In each biennium since 2006, the LFC has undertaken some form of performance measurement. Numerous reports can be found at the following LFD website:

http://leg.mt.gov/css/Committees/Administration/Finance/2013_lfc_default.asp

2007 Biennium

In June 2005 the LFC voted to proceed with an initiative to explore performance management. The MUS shared policy initiative was continued and other agencies were added. During the interim the LFC received formal, standardized reports on a very limited selection of functions (both of which had volunteered to be a part of the process). Attachment D shows the standard reporting form used for the Department of Fish, Wildlife, and Parks. The attachment can also be found here at the following website:

http://leg.mt.gov/content/publications/fiscal/interim/financecmty_oct2005/Perf_Mgm_fwp.pdf

There were a number of perceived benefits to expansion of the project to other agencies and functions in subsequent biennia, including:

- Provision of a formal means to receive reports and provide feedback during the interim on items of interest
- Utilization of current performance or accountability measures to establish program budgets
- Bridging of the knowledge gap created in a term-limited legislature
- Establishment of policy regarding the analysis of new proposals
- Use in other appropriation bills to establish benchmarks, outcomes, and resolution
- Creation of a framework to set priorities

Expanded Discussion in LFD Budget Analysis

One of the results of the review was the inclusion of additional information for decisionmaking in the LFD budget analysis. As part of the agreement between the Legislative Fiscal Analyst and the director of the Office of Budget and Program Planning on the form of the executive budget submission, agencies included an

expanded discussion of selected new proposals and significant present law adjustments in their budget submissions. Agencies were asked to include the following:

- Justification – Identify the problem/issue the new proposal will address. Provide any corresponding data that supports the activity.
- Goal(s) – List the goals this new proposal is designed to accomplish. How does this goal relate to the overall mission of the agency?
- Performance Criteria – Provide the criteria that will be used to measure progress toward the goal. Include the details of how often it will be monitored, who will do the monitoring, and what results would trigger a change in implementation plans.
- Milestones – Identify major new proposal milestones and provide target dates if available.
- Number of FTE and job class - Provide proposed hiring date(s). Identify any recruitment concerns.
- Fees - If the new proposal is based on the collection of new fees, provide projection of fee collections and how it will be monitored.
- Obstacles – Identify potential obstacles to successful implementation and discuss how those obstacles can be mitigated.
- Risk – In real terms, identify the risk to the state if the new proposal is not approved.

The primary purpose of the expanded discussion is to give the appropriations subcommittees additional information with which to evaluate new proposals and significant present law adjustments and provide a basis for determining whether the programs met milestones and other criteria.

An example from the 2011 biennium is included as Attachment E. With some tweaking this expanded discussion was still in use through the 2013 biennium analysis and fiscal report and will continue into the 2015 biennium.

Consistent Provision of Information to Subcommittees

During this time period, the LFC asked agencies, when they presented agency and program overviews to the appropriations subcommittees, to address certain standard topics. Among these topics were a listing of goals and measurable objectives for the overall agency and each program. The goals and objectives Office for the Department of Revenue is included as Attachment F.

2009 Biennium

The LFC expanded the performance measurement project begun in the previous biennium, involving each agency and in some instances numerous functions within the agency. The LFC also formed several subcommittees to review the information gathered and discuss the reports.

The following website includes all reports in October 2008.

http://leg.mt.gov/css/fiscal/2009_biennium/PM_Agency_2009biennium.asp

The LFC placed high importance on the process being a collaborative one between the LFC and the executive. Consequently, LFC staff worked with agency staff to identify programs that would be reviewed by the LFC at each meeting. A standard form was developed and filled out by the agency (with comment by LFD staff) prior to each LFC subcommittee meeting and reviewed by the subcommittee. Attachment G shows a completed form for student data in the Montana University System, which can also be found at the following website:

http://leg.mt.gov/content/Publications/fiscal/LFD_Performance_Measures/2011/Agency-Reports/Section-E/5102-01-I1.pdf

Incorporation in the Budget Analysis

A discussion was included in the LFD Budget Analysis to assist appropriations subcommittees in following up on LFC work if they deemed it valuable or appropriate. Attachment H is a sample of a narrative included in the budget analysis in the Department of Revenue and also can be found throughout the budget analysis volumes:

2011 Biennium

In the 2011 biennium, the previous form and process used by the LFC in previous bienniums was continued. Attachment I shows a completed form for the Department of Justice which can be found at the following website:

http://leg.mt.gov/content/Publications/fiscal/LFD_Performance_Measures/2011/Agency-Reports-Oct-2010/Section-D/4110-13-G1.pdf

2013 Biennium

The approach and reporting devices were changed in the 2013 biennium. In an attempt to provide an opportunity for more interim committees to participate in performance measurement, the legislature passed a resolution that included a number of issue areas identified by appropriations subcommittees as well as other input by full committees, which can be found at the following website:

<http://data.opi.mt.gov/bills/2011/billhtml/SJ0026.htm>

The resolution was also meant to provide a wider legislative sanction to the performance measurement process. With the exception of the Environmental Quality Council, no other interim committees chose to monitor any of the identified issue areas or designate their own.

Because of several issues identified with the prior form and process, in the current interim the LFC has taken another approach:

- Limit the number of functions examined so that issues could be examined in more depth as warranted
- Have review by the entire committee rather than subcommittees so all members were invested
- Have LFD staff fill out the forms from information provided by the agency and/or gathered by the LFD staff
- Make the forms less rigid and allow for greater flexibility in the provision of information

The LFC also authorized two additional projects with a more goal-oriented thrust. The programs would be examined from the perspective of how well they are furthering broader state goals. In addition, both projects are a collaborative effort between the agency (both of which are headed by elected officials) and the LFC:

- Court Help in the Judiciary
- The Digital Academy in the Office of Public Instruction (and the University of Montana)

The current report form with a report on the Court Help program in the Judicial Branch is included as Attachment J and can also be found at the following website:

http://leg.mt.gov/content/Publications/fiscal/interim/2012_financemty_June/CourtHelp.pdf

Examination of Other Budgeting Systems

At various points in the previous several bienniums, the LFC has examined other budgeting systems but did not make any recommendations. Please note that this is not a complete list.

Two reports by Jon Moe are linked below:

- Options for Enhancing Montana's Budget Process
http://leg.mt.gov/content/publications/fiscal/interim/financemty_oct2004/Budget_Process.pdf
- A report on vacancy savings and alternate personal services budgeting methods
http://leg.mt.gov/content/publications/fiscal/interim/financemty_june2002/vacancy_savings.pdf



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- GOVERNMENT CONTRACTING
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Montana's Experiment with Zero-Base Budgeting

by John S. Fitzpatrick*

IN 1975, Montana began a four-year experiment with zero-base budgeting (ZBB) by the enactment of House Bill 643 (Chapter 460, Montana Session Laws of 1975). The act required that the "budget director shall implement a program planning and budgeting system . . . for at least one program in representative agencies of state government service such as planning, human service delivery, licensing and regulation, and other programs as determined by the budget director."

Notwithstanding the use of the term "program planning and budgeting system," H.B. 643 introduced ZBB to Montana. The third section of the act revised the statutory content of the Executive Budget by requiring that budget information be submitted in a form consistent with the basic elements of ZBB. H.B. 643 specified:

The biennial budget under this act shall include a departmental analysis summarizing past and proposed spending plans by program and the means of financing the proposed plan. Information presented shall include the following:

- (1) A statement of departmental and program objectives, effectiveness measures and program size indicators;
- (2) At least three alternative funding levels for each program with effectiveness measures and program size indicators detailed for each alternative funding level; and
- (3) A departmental priority listing encompassing all alternative funding levels.

ZBB caught legislative attention because it appeared to offer an alternative to line-item budgeting, which was used to prepare the state budget. An agency budget was built by projecting future expenses in a number of categories

such as wages, employee benefits, travel, utilities, rent, etc., totaling the estimates, and submitting them to the legislature for funding. This process tended to be incremental with each agency using the immediately completed or current fiscal year budget as the base for the next biennium's request. As a result of workload increases, inflation, and proposed program expansions, budget requests and appropriations tended to increase with each succeeding legislative session. Budget justification and review focused primarily on limiting the amount of increase over the existing appropriation. Also, the line-item approach was input-oriented; that is, budget documents showed what it cost to operate an agency with relatively little consideration given to the kind and amount of work the agency provided as output for its appropriation, or whether there was a demonstrated need for the services being provided.

Testimony before the legislative committees in support of H.B. 643 indicated dissatisfaction with the line-item approach. Legislators pointed to the need for more program analysis and wanted information that would help them evaluate agency performance and set budget levels. Finally, there was considerable interest in directing the content of the Executive Budget away from an accounting of state expenditures to an instrument of policy and performance analysis. House Appropriations Committee Chairman Francis Bardanouve looked to H.B. 643 as a means "to orient the budget book to the legislator and not [just] to the Governor's Office."

*Mr. Fitzpatrick is Deputy Director, Montana Office of Budget and Program Planning.

ZBB: IN PRACTICE

ZBB is a budget technique whereby each program, regardless of whether it is a new or existing program, must be justified in its entirety each time a new budget is formulated.² Contained within the ZBB approach is the assumption that all activities have some sort of effective life span and that activities should be constantly reviewed with an eye toward changing or deleting those which have become unnecessary or ineffective.

Montana implemented ZBB on a pilot basis with seven program areas submitting budgets using ZBB procedures. The remaining state agencies used the standard line-item format. In Montana, ZBB was termed the Priority Budgeting System.³ The pilot agencies included the Department of Fish, Wildlife and Parks; Department of Business Regulation; Highway Maintenance Division; Crime Control Division; Health Services Division; Montana Historical Society; and Youth Services program area consisting of two reform schools, Pine Hills and Mountain View, and the Aftercare Bureau in the Department of Institutions and Youth Development Bureau within the Department of Social and Rehabilitation Services.

The seven program areas preparing their budgets under the Priority Budgeting System used the traditional components of the ZBB system. Each program was separated into discrete "decision units" or "activity packages." An activity package consisted of a function or group of functions used by management for planning and analysis. This level normally constituted the lowest level for which budget decisions were made. For example, the Youth Development Bureau of the Department of Social and Rehabilitation Services divided its program into 10 activity packages. One package reflected the output and costs of central office administration, another package was created for foster parent training, a third package covered the operation of the Big Brothers and Sisters program, etc. For each activity package, three alternative budgets were prepared, each reflecting a different level of funding. One budget level identified the current level of service, a second budget level reflected the impact of a 20 percent reduction in funding,⁴ and the third level of funding, designated as the agency request level, showed what the agency considered to be the optimum budget level.

Following preparation of the alternative budget levels, all activity packages were ranked in order of priority, first by the program manager and then up through the chain of command until an agency ranking was established for the final budget. Since Montana limited the use of ZBB to seven pilot test areas, a statewide ranking of priorities was not practical. The final step in the ZBB process was to present the budget recommendation to the legislature which, in turn, was to review the proposed costs, service levels, and priority ranking to establish the agency appropriation.

Under ZBB, the amount of budget and program information presented the legislature was substantially greater than provided through the standard line-item format. In addition to describing past and projected revenues and expenditures, ZBB included performance measures which identified the programmatic impact of funding each of the three alternative budget levels. A priority ranking of all agency activity packages by funding level provided the legislature with the executive branch's estimation of the relative importance of each agency activity. Figures 1 and 2 contain examples of a typical activity package budget recommendation and a priority ranking table for all agency activity packages.

ZBB: SOME PROBLEMS

The benefits received from ZBB were marginal compared with the problems encountered in implementing the system. ZBB theory was fundamentally incompatible with actual conditions experienced in state government budgeting.⁵

When first implemented, ZBB appeared to offer substantial opportunity to reallocate funds not only within agency budgets but also between agency budgets. ZBB theory suggests that by dividing programs into discrete decision units (activity packages) and developing a priority ranking of such units, it is possible to move funds from low- to high-priority activities. For example, program X in agency 1, which had high costs in relation to the benefits received, could be deleted to fund program Y in agency 2 which had a more favorable ratio of costs to benefits. The opportunity to fund such trade-offs never materialized in Montana's ZBB experience, and it appears that such a situation would be a rare occurrence within state government budgeting. This conclusion is reached for two reasons. First, the ability to trade off funds in the state budget

is closely circumscribed by statutory requirements designating the use of certain funds (earmarking) and by matching requirements for participation in programs funded by the federal government. Funds from hunting and fishing license fees can be used only to support the activities of the Department of Fish, Wildlife and Parks. They cannot be transferred for use by the university system, institutions, or other state departments. Likewise, in order to receive federal Title XX funds for social services, the state must provide a 25 percent match to the federal revenue. A budgetary trade-off moving state funds from a Title XX service to a non-Title XX service would reduce the amount of federal revenue by three dollars for every state dollar traded off. To find a program from which funds can be moved across agency lines, without violating state or federal earmarking restrictions, is the exception rather than the rule.

A second problem with funding trade-offs is that the decisionmaker's abilities to precisely measure and compare cost-benefit ratios are overestimated. Trade-offs, or priority ranking, assume that cost-benefit comparisons are the major, if not the only, criteria in establishing budget levels. Such an assumption largely ignores the reality of budgetmaking by public bodies, where budget decisions are influenced by political, personal, and philosophical criteria as much as by cost-benefit ratios.

Most ZBB systems, including Montana's, require an examination of alternative funding levels and alternative ways of providing an existing service. H.B. 643 mandated the identification of three alternative levels of funding, but this action did not substantially contribute to improved budget decisionmaking in Montana's experience. The minimum budget level established at 80 percent of the current budget was viewed with great trepidation by the agencies. Information generated to support the 80 percent budget request tended to document the need for more funds. Likewise, the agency's analyses of alternative methods of providing service supported retaining the status quo. ZBB does not adequately acknowledge the actual conditions faced by managers who are expected to take the lead in setting agency budget levels. For example, collective bargaining agreements can impose constraints which limit potential cost savings, as can pressure from groups opposing reductions in service levels. As a result, the

manager's support of ZBB was relatively restrained.

House Bill 643, which added performance measurements to the ZBB portion of Montana's budget process, contributed little to the Executive Budget recommendations. It was difficult to identify performance measures which truly reflected a relationship between budgeted resources and the amount and kind of services delivered. Indicators that were developed tended to be either measurements of workload (e.g., banks to examine, miles of highway to maintain, children to educate), or resources used in the conduct of the program (e.g., tons of chemical de-icer applied, man-hours of work). Some programs, particularly those in human service agencies, possess an ambiguous mission, and it is difficult to describe their program goals and performance in quantitative terms.

For other measures, the data base was inadequate and rendered the measurement meaningless. For example, the state reform schools used recidivism as a performance measure, but the indicator showed only the number of individuals returned to the institution who had been incarcerated there. It did not measure how many children became law-abiding citizens once having resided in that institution.

Much, if not most, of the performance measurement exercise was make-work generated solely for the budget process. Agency managers consistently indicated they did not use the collected information in the day-to-day management of their program. Their reasons for not doing so varied, but contained a common theme paraphrased below:

Performance measurement is a good idea; more of it should be done. But, and even though some measures look good on paper, they really don't describe what this program does.

Implementing ZBB in Montana on a pilot basis required the state to operate two budget systems. More important, after reviewing the ZBB experience, it did not appear that the state could divorce itself easily from the traditional line-item budget system, even if full conversion to ZBB was desirable. The statewide budgeting and accounting system, auditing procedures, and reporting requirements for federally funded programs are geared to a line-item budget. Although it is possible to adapt most of these structures to fit ZBB, the conversion would be costly and time consuming. Until such a conversion was made, any agency using ZBB would have had to follow a course similar to that of the

FIGURE 1
PRIORITY BUDGETING SYSTEM
BUDGET RECOMMENDATION

DEPARTMENT OF BUSINESS REGULATION										
Consumer Protection										
Statutory Authority: Title 18, Chapter 5/Title 51, Chapter 1, Title 75, Chapter 92/Title 85, Chapter 4										
SubProgram Description: It is the responsibility of the Consumer Protection SubProgram to protect the citizens of the state from unfair, illegal or deceptive business practices and transactions. The SubProgram performs supervision of investigation, licensing, enforcement and educational activities in accomplishing the administration of consumer protection laws. The overall goal is to continue to maintain close supervision and to exercise efficient control over Consumer Protection functions of present and newly created legislative programs. It is estimated this SubProgram will generate approximately \$124,000 to the General Fund in the next biennium.										
External Trends: The trend toward consumer awareness and the associated legislative recognition of the desirability of consumer assistance by state government will place increasing burdens on the SubProgram. This demand is reflected in the substantial increase in consumer utilization of the services provided by the program in each year of its existence.										
Past Effectiveness: A measure of success can be attributable to increasingly effective communication and cooperation between this SubProgram and related agencies in this and other states against transient violators and the increasing monetary recovery for the consumer in each fiscal year since the SubProgram's inception. (\$157,966 for FY 76).										
Future Trends: Proposed changes in the Unfair Practices Act will, if adopted, put increased demands on the administrative support, investigation and enforcement aspects of the SubProgram.										
Recommended Funding Level: It is recommended the Consumer Protection SubProgram be funded at the current level.										
<div> <div>FY 78</div> <div>FY 79</div> <div>\$143,157</div> <div>\$147,019</div> </div>										
Alternative Funding Levels	Current Biennium		Alternative A (80% or less)		Alternative B (current level inflated)		Alternative C (Agency Request)		Governor's Recommended	
Program Costs	FY 78 Actual	FY 77 Est.	FY 1976	FY 1979	FY 1976	FY 1979	FY 1978	FY 1979	FY 1978	FY 1979
Full Time Equivalent	7.00	7.00	4.80	4.80	7.00	7.00	9.00	9.00	7.00	7.00
Personal Services	95,337	104,345	76,306	77,949	107,103	108,590	134,183	138,080	107,103	109,590
Operating Expenses	18,517	33,528	27,751	28,438	34,883	36,058	42,880	44,437	34,883	36,058
Equipment & Livestock	2,149	1,371	1,211	1,211	1,371	1,371	3,061	1,871	1,371	1,371
TOTAL OPERATING COSTS	113,003	139,244	105,167	107,598	143,157	147,019	180,124	184,388	143,517	147,019
Transfers	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL PROGRAM	113,003	139,244	105,167	107,598	143,157	147,019	180,124	184,388	143,517	147,019
FUNDING DETAIL:										
General Fund	80,447	94,692	65,804	67,321	97,583	100,465	134,550	137,834	97,583	100,465
Emarked Revenue Fund	22,556	44,557	39,363	40,277	45,374	46,554	45,574	46,554	45,574	46,554
Federal & Private Revenue Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Revolving Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL FUNDING	113,003	139,244	105,167	107,598	143,157	147,019	180,124	184,388	143,517	147,019

Alternative Funding Levels	Current Situation		Alternative A (80% of last)		Alternative B (current level inflated)		Alternative C (Agency Request)		Governor's Recommendation	
Program Measures	FY 76 Actual	FY 1977 Est.	FY 1976	FY 1978	FY 1978	FY 1978	FY 1978	FY 1978	FY 1978	FY 1978
<u>Workload and/or Demand Estimators</u>										
Estimated investigations	1,145	1,525	1,890	2,318	1,890	2,318	1,890	2,318	1,890	2,318
Legal Actions Required	26	35	52	70	52	70	52	70	52	70
Requests for appearance	27	40	60	80	60	80	60	80	60	80
Estimated licenses issued	61	80	90	100	90	100	90	100	90	100
<u>Output Measures</u>										
Investigations conducted	1,145	1,525	1,550	1,550	1,890	2,318	2,100	2,600	1,890	2,318
Lawsuits initiated	9	13	17	20	18	21	18	21	18	21
Workshops conducted	16	23	0	0	35	60	70	115	35	50
Seminars attended	4	6	0	0	8	10	16	20	8	10
Consumer alerts	23	30	0	0	40	50	40	60	40	50
Licenses issued	60	70	75	80	75	80	75	80	75	80
Enforcement proceedings	24	35	52	70	52	70	58	75	52	70
<u>Effectiveness Indicators</u>										
Est. Rev. generated to General Fund (\$)	63,000	59,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Licenses denied	1	1	2	2	2	2	2	2	2	2
Permanent injunctions	7	10	13	17	14	18	15	18	14	18
Complaint cases closed	1,115	1,485	1,450	1,450	1,840	2,258	2,050	2,525	1,840	2,258
Assurance of compliance	3	5	7	11	8	12	10	15	8	12
Monetary recovery (\$)	157,986	204,000	210,000	275,000	265,000	344,000	300,000	400,000	265,000	344,000
Hours of consumer education				Data Not Currently Available						

pilot agencies—first building a line-item budget to reconcile actual and proposed expenditures, and then converting the line-item budget to the ZBB format.

The increase in paperwork generated by ZBB was substantial. The line-item budget used the program as a basic budget entity. In 1977, a program budget request required completion of nine forms plus five forms for each requested budget modification. Under ZBB, an agency divided its programs into activity packages and submitted six forms for each activity package (two forms per budget level) plus an agency ranking table. An activity package could be the equivalent of a program but, following ZBB theory, each activity package should only include one basic activity or group of closely affiliated functions. When Montana implemented ZBB, the agencies followed the system's theory and subdivided the programs into activity packages, creating a large number of entities with each requiring budget documentation. For example, the Youth Development Bureau, which formerly constituted one program in the line-item system, was divided into 10 activity packages under ZBB. The bureau's budget request under ZBB totaled 62 pages, compared with approximately 15 pages under line-item budgeting. In addition, because ZBB was only being used on an experimental basis, the bureau had to submit the standard line-item materials as

well. It was estimated that ZBB required four times as much paperwork as the traditional system.

Perhaps the most disheartening aspect of ZBB was legislative disinterest in the system even though it was legislative initiative which led to development of the system. A survey of the pilot agencies found only two respondents who felt the ZBB analysis was used to determine the agency appropriation.

An instrumental factor in the neglect of ZBB by legislative committees was the action of the Legislative Fiscal Analyst toward ZBB. When the Montana legislature convenes in session, it receives two different budget recommendations—the Executive Budget from the governor and an alternative budget from the Legislative Fiscal Analyst. The final appropriation is drawn by using recommendations from both budgets as well as determinations made by the legislature itself. When the Executive Budget presented ZBB to the 1977 legislature, the fiscal analyst followed with recommendations in the line-item format. For most legislators, ZBB was new and more complicated than the traditional system. As a consequence, legislators worked from the familiar line-item presentation and shunted ZBB to the background.

ZBB cannot be used productively by the state unless the legislature will work with it. In turn, it is unlikely the legislature will use ZBB unless its

FIGURE II
PRIORITY TABLE

DEPARTMENT OF BUSINESS REGULATION												
A B C	SUBPROGRAM NAME AND LEVEL	1976 ACTUAL		1977 ESTIMATED		1978 REQUESTED				1979 REQUESTED		
		DOLLARS	FTE	DOLLARS	FTE	DOLLARS	FTE	CUMULATIVE	% '77	DOLLARS	FTE	CUMULATIVE
1	Weights & measures (A)	180,917	11.00	209,937	11.00	172,361	11.00	172,361	79	172,361	11.00	172,361
2	Financial (A)	372,417	19.00	603,866	19.00	440,617	17.75	512,296	40	360,601	17.75	629,895
3	Consumer protection (A)	167,343	8.00	126,620	7.00	102,316	5.00	618,110	59	107,838	5.00	841,723
4	Mail control (A)	152,938	8.25	166,809	8.25	125,681	6.25	744,791	72	140,096	6.25	781,769
5	Consumer protection (A)	112,000	7.00	139,264	7.00	108,167	4.80	856,958	87	107,588	4.80	895,346
6	Weights & measures (B)					56,842	3.00	918,710	88	62,320	3.00	951,036
7	Consumer Services (B)					26,320	7.00	945,030	90.7	26,360	7.00	984,646
8	Mail control (B)					26,814	2.00	971,844	93.6	26,811	2.00	1,018,866
9	Consumer protection (B)					27,880	2.20	1,018,643	97.2	28,421	2.20	1,088,977
10	Financial (B)					21,888	2.20	1,029,689	99.2	5,868	2.20	1,086,826
	Governor's Recommended Level					46.25		1,035,689	99.2	46.25		1,086,826
10a	Financial - consumer (B)					62,212	2.00	1,101,801	100	78,687	2.00	1,143,527
11	W & M/PG & more (C)					34,180	2.00	1,135,910	100	34,534	2.00	1,170,066
12	W & M/PG & more (C)					8,527		1,144,537	100	8,523		1,188,689
13	Financial (C)					68,705	2.00	1,213,242	115	70,756	2.00	1,287,044
14	Financial (C)					34,618	2.00	1,247,870	119	45,414	2.00	1,362,658
15	Consumer protection (C)					24,010	2.00	1,271,900	127	24,760	2.00	1,337,858
16	Mail control (C)					40,868	2.00	1,322,628	126	40,814	2.00	1,378,672
17	Consumer protection (C)					26,887	2.00	1,349,496	130	27,389	2.00	1,415,881
18	W & M/PG & more (C)					24,350	1.00	1,373,796	132	18,508	1.00	1,433,917
19	Weights & measures (C)					82,077	3.00	1,455,872	140	81,314	3.00	1,518,231
	TOTALS	827,616	51.25	1,047,600	52.25	1,486,872	60.25	1,486,872	140	1,518,231	60.25	1,518,231

own staff is fully committed to implementation. The budget process is complex, and when the executive and legislative branches use different methods of analysis and presentation, the end product is confusion.

ZBB: THE FUTURE

In March 1979, at the request of the executive budget office, the legislature enacted House Bill 179 (Chapter 432, Montana Session Laws of 1979)—An Act to Repeal the Program Planning and Budgeting System. With that act, Montana concluded its experiment with ZBB.

ZBB did not prove to be an effective budgeting tool despite a reasonably conscientious implementation effort spanning four years and two legislative sessions. The functional problems of simply sorting through the massive amount of paperwork generated by the ZBB format and attempting to utilize the "performance measurement" requirement of H.B. 643 inhibited rather than stimulated budget analysis. Furthermore, ZBB could not be identified as either the sole or primary factor limiting the size of a program budget increase or causing an actual

budget reduction. Neither its presence nor use appeared to affect the final outcome of the budget appropriation process in one way or the other.

With the demise of ZBB, all Montana agency budgets will be developed using the standard line-item format. Despite the criticism of this approach, it is a system which is sufficient to ensure financial accountability and one which fits within the administrative decisionmaking reality of Montana state government.

Footnotes

1. Testimony before the Montana Senate Finance and Claims Committee, Helena, Montana, March 12, 1979.
2. Michael H. Granof and Dale A. Kinzel, "Zero Based Budgeting: Modest Proposal for Reform," *The Federal Accountant*, vol. 23, December 1974, p. 51.
3. See, *A Review of the Priority Budgeting System*, Office of Budget and Program Planning, Helena, Montana, 1980.
4. A zero-base budget does not normally start from zero. Some minimum level, usually on the order of 70 percent to 80 percent of the existing appropriation, is designated as the initial budget level for each activity package.
5. See, *An Evaluation of the Priority Budgeting System*, Office of Budget and Program Planning, Helena, Montana, 1979.

ATTACHMENT B



Education and Local Government Interim Committee 61st Montana Legislature

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LEANNE KURTZ, Research Analyst
JEREMY GERSOVITZ, Staff Attorney
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SHARED POLICY GOALS AND ACCOUNTABILITY MEASURES FOR THE K-12 PUBLIC EDUCATION SYSTEM 2013 BIENNIUM

This document on shared policy goals and accountability measures represents a merging of the following efforts that have involved leaders from the legislature, the executive and the K-12 public education system during the 2011 interim:

- Board of Public Education strategic goals and objectives
- Superintendent of Public Instruction strategic goals and objectives
- Shared policy goals and accountability measures development by the Education and Local Government Interim Committee (ELG) Subcommittee on Shared Policy Goals

The documentation for these efforts provides important background, history and context for these shared policy goals and accountability measures, in particular the shared commitments to prepare students for success in the 21st century, to improve teaching and student learning, to improve student achievement in struggling schools, and to increase public awareness and engagement in the K-12 educational system.

This document is nonbinding. The ELG shall review, update, approve, and renew this understanding each biennium with the Board of Public Education and Superintendent of Public Instruction so that it may become the basis of state public policy in regard to the K-12 education system.

As a statement of public policy goals for public education in Montana, this document reflects the ELG's commitment to a basic system of free quality public elementary and secondary schools such that funding high quality education is a critical goal of the State of Montana. This document, in conjunction with the definition of a basic system of free quality public elementary and secondary schools established in section 20-9-309, MCA, will provide the policy direction needed to maintain a free quality elementary and secondary education system in Montana.

The authors of this document urge that it, along with 20-9-309, MCA, be used by the legislature in the 2011 legislative session to frame education budget initiatives and other policy recommendations for the 2013 biennium.

K-12 Shared Policy Goals, Objectives, and Accountability Measures
2013 Biennium

Shared Policy Goal	Objectives	Accountability Measures
1. Prepare students with the knowledge and skills necessary for success in the 21st century global society.	1.1. Increase Montana's high school graduation rate.	By June 30, 2013, increase by 2 percent the number of students who graduate in 4 years with a regular high school diploma.
	1.2. Review the ARM rules that govern accreditation, certification, and professional educator preparation programs on a regular cycle.	By June 30, 2013, increase by 2 percent the number of schools meeting regular accreditation standards using 2011/2012 school year as a baseline.
2. Improve teaching and student learning by promoting data-driven policy decisions and increasing access to educational information.	2.1. Develop a statewide longitudinal data system to collect and report reliable and timely data on Montana K-12 students.	By June 30, 2013, the K-12 education data warehouse will be established as the single source of information for reporting and analysis of K-12 student level data collected by the OPI as measured by the number of reports produced from the data warehouse.
	2.2. Improve access to K-12 education data by educators, policymakers, and the public.	By June 30, 2013, educators, policymakers, and the public will have access to data in the data warehouse through standardized reports and ad hoc query tools in accordance with the access rights established for the individual accessing the data as measured by the number of categories of users.
3. Improve student achievement in struggling schools.	3.1. Provide learning supports and promote greater community engagement to increase greater student achievement in schools identified as struggling.	The number of schools served by the Statewide System of Support that show an increase in student achievement as measured by the statewide student assessment (criterion-referenced test) using the 2009-10 school year as a baseline.
4. Increase public awareness of and engagement in the K-12 educational system recognizing the roles and responsibilities of the state and local educational agencies and the legislature.	4.1. Promote coordination and collaboration among the legislature and K-12 education agencies recognizing the constitutional roles of the Board of Public Education, Montana Legislature and local school districts.	Progress shall be measured by continuous improvement in attaining the identified accountability measures in the K-12 education shared policy goal agreement.

K-12 SHARED POLICY GOALS

WHEREAS, Article VIII, section 12, of the Montana Constitution vests in the Legislature the responsibility to ensure strict accountability of all revenue received and spent by the state, counties, cities, and towns and all other local governmental entities, and Article X, section 1, requires the Legislature to fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system; and

WHEREAS, Article X, section 9, of the Montana Constitution vests in the Board of Public Education the general supervision of the public school system; and

WHEREAS, section 20-3-106, MCA, grants supervision over certain aspects of the public schools and districts of the state to the Superintendent of Public Instruction; and

WHEREAS, Article X, section 8, of the Montana Constitution states that the elected board of trustees in each school district shall exercise supervision and control of schools in the district; and

WHEREAS, agencies of the education community have increasingly, and to positive effect, shared leadership between themselves and with the Education and Local Government Interim Committee; and

WHEREAS, an understanding of shared policy goals and accountability measures for the K-12 public education system, shared by the Superintendent of Public Instruction, the Board of Public Education, and Education and Local Government Interim Committee, represents an important advance in interagency cooperation and the quality of education policymaking; and

WHEREAS, shared policy goals must be systematically tied to accountability measures in order to ensure timely and effective implementation of policies; and

WHEREAS, the Education and Local Government Interim Committee Subcommittee on Shared Policy Goals and Accountability Measures, comprised of four legislators and education agency partners, with representatives from the Board of Public Education and the Office of Public Instruction, has identified statewide public elementary and secondary education policy goals and accountability measures for the K-12 public education system, in collaboration with the education agency partners;

This UNDERSTANDING crafted by the Education and Local Government Interim Committee, the Office of Public Instruction, and the Board of Public Education, identifies the statewide public elementary and secondary education policy goals and related accountability measures (see pages 1-2 above) that will be used as a policy goal setting and assessment tool for policymakers, the K-12 education system, and the public in evaluating the achievement of the policy goals; and that will be used, in conjunction with 20-9-309, MCA, as a guide to drive

decision packages and funding mechanisms for the state funding that is appropriated to the K-12 education system by the Montana State Legislature.

Furthermore:

1. The K-12 education system shall prepare a Shared Policy Goals and Accountability Measures Report presenting appropriate and current data for these goals and accountability measure in an easy-to-read format.
2. This report shall be presented to the House and Senate Education Committees and the Joint Appropriations Subcommittee on Education by the 10th legislative day of the 62nd Legislature (2011 legislative session).
3. This report shall be posted to the Board of Public Education, Office of Public Instruction, and Education and Local Government Interim Committee websites by January 1 each odd numbered year.

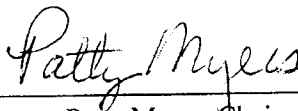
The signatures below denote that the signatories fully participated in and support the shared policy goals and accountability measures cited herein.

This document expires June 30, 2013.

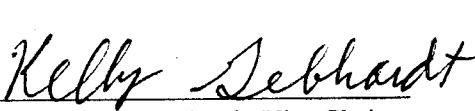
Dated this 17th day of August 2010.

X 


Representative Wanda Grinde, Chair
Education and Local Government Committee

X 

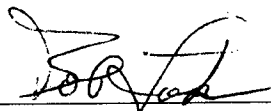
Patty Myers, Chair
Board of Public Education

X 

Senator Kelly Gebhardt, Vice Chair
Education and Local Government Committee

X 

Denise Juneau, Superintendent
Office of Public Education

X 

Representative Bob Lake, Chair
ELG Subcommittee on Shared Policy Goals

REPORT ON ANALYSIS OF STATE PROGRAM PRIORITIES - STATUS

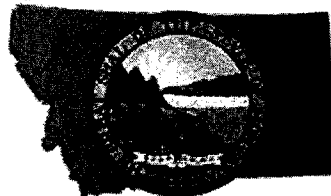
A Report Prepared for the

Legislative Finance Committee

By
Taryn Purdy

March 12, 2004

Legislative Fiscal Division



www.leg.state.mt.us/css/fiscal/

INTRODUCTION

In June 2003, the Legislative Finance Committee (LFC) approved a work plan item to provide program review and a means to evaluate program priorities (Appendix A). The following report provides an update on efforts by Legislative Fiscal Division (LFD) staff to provide the means for this review and prioritization. This project is currently ongoing, and the primary report on this topic is scheduled for presentation at the June 2004 LFC meeting.

PURPOSE OF PROJECT

The legislature is essentially the board of directors of the State of Montana. As such, it is the legislature's responsibility to determine what the purpose and scope of state government will be. In order to do this, the legislature must understand what state government currently does, and determine priorities. However, budgeting generally takes place at the "margin", with the implicit assumption that ongoing programs within the base should be continued. Consequently, the larger issues of ongoing public policy can be either overlooked or diminished. Therefore, the primary purpose of this project is to provide the legislature with the information it needs to:

- 1) Put the budget into a more comprehensive, public policy oriented context.
- 2) Prioritize a greater range of services based upon desired public policy.
- 3) Understand more fully how the legislature can influence and control more areas of the budget.
- 4) Make informed decisions within the context of this knowledge.

At the same time, this exercise provides staff with a greater opportunity to regularly provide issues and options related to the base that can be put into overall context (agency as well as statewide).

There are essentially three distinct audiences for this information, and the form and use of the analysis is designed to serve the distinct needs of all three:

- 1) New and non-fiscal legislators, who need information on a fairly macro level.
- 2) Fiscal-oriented legislators, who need specific, decision-based information that allows for broad, statewide priority setting.
- 3) Subcommittee members, who need specific, decision-based information in a more narrowly defined context.

MAJOR COMPONENTS

The report addresses these needs through three main components:

- 1) What government is.
- 2) How the legislature can influence and determine costs and functions.
- 3) Issues and options.

WHAT IS GOVERNMENT

If the legislature is to prioritize programs on statewide basis, it must understand the universe in which it is dealing. Therefore, the first question to be addressed is: What is government? Within the context of budgeting, this question is often answered in terms of changes made or contemplated in the five major areas of expenditures: 1) K-12 education; 2) higher education; 3) human services (defined as the Department of Public Health and Human Services); 4) corrections; and 5) all other. This categorization can be very instructive for the first audience for this information – new and non-fiscal members of the legislature. However, this type of categorization is less helpful when dealing with the practical realities of overall state priority setting on a fiscal committee/HB 2 subcommittee level.

Our goal to address the question of what government is consists of two parts:

- 1) Of what functions is government composed; and
- 2) What is the purpose and role of government inherent in this composition?

Of What Functions is Government Composed

The first step to provide a systematic answer to this question is to compile a listing of functions. This compilation is primarily for internal staff issues and option development, reference, and answering of legislative questions. Consequently, it is not meant as an end in and of itself for three primary reasons:

- 1) The information is voluminous and could be unmanageable in most contexts.
- 2) There is a danger of "cherry-picking" programs without analysis of impacts and context.
- 3) The primary purpose is to provide a platform for policy setting options.

What is the Purpose and Role of Government Inherent in this Composition

Where the legislature chooses to expend funds obviously states the overall priorities of the government. Because simply listing all functions would result in the difficulties discussed above, the report will instead concentrate on major functions that appear to promote a common, generally agreed-upon overall purpose. However, as stated earlier, these priorities are most often stated in very macro terms, such as "education" and "human services". In order to infuse more meaning for priority setting through more specificity, the goal is to present "categories" of expenditures that equate to the question of what government is. There are several ways to approach what and why government does what it does, including constitutional imperatives. As of this writing, the following general categories have been identified.

- Provision of justice and protection of life and property - Operation of the means of citizens to seek justice and remediation (all courts); operations to protect the citizenry from violent/fraudulent/etc. behavior and pursue justice against those who perpetrate such acts.
- Reduction of incidence and impact of poverty and disability - Services that enhance the productivity and productive capacity of economically disadvantaged or disabled (mentally or physically) citizens, and/or enhance their quality of life through provision of food, housing, medical services, etc.
- Enhancement and promotion of the public health - Services designed to improve the quality of life and health of either all citizens, or those pertaining to targeted behaviors or conditions. Reducing the costs to the state of the previous category is a corollary purpose.
- Provision of workforce support - All services provided that support a trained and productive workforce, including those specifically designed to protect health and economic status. Would not include services designed specifically for the economically or developmentally challenged.
- Development of full educational potential of state's citizens - Services designed to enable citizenry to have the mental capacity to be productive, creative, innovative, and self-sufficient.
- Consumer/citizen protection - Services designed to protect the health and safety of citizens from sources related to activities and/or consumption of products.
- Economic/business development - Services directly related to improving business climate and/or creation of jobs, or designed to aid specific businesses or types of businesses.
- Protection/enhancement/remediation of natural resources - Services conducted to protect, or eliminate or alleviate past or current harmful impacts to the state's natural resources; and/or restore productive capacity of those resources.
- Preservation/enhancement of recreational/cultural resources - Those services not related directly to the health and safety of citizens or the environment, but that enhance people's experience of living in Montana.

- General operation of state government - Those functions designed specifically for the operation of state government in support of other governmental programs and/or activities.
- Governmental and physical infrastructure - Those operations that either provide for the state's physical infrastructure, such as roads, or without which government would not function, such as the legislature, the Governor, and revenue collection.

The purpose is to give a broad-brushed view to provide an understanding of the composition of the major types of activities in which state government is engaged and the relative sizes, sources of funding, and leading programs of each to aid in establishing policy priorities. As is no doubt obvious from the category listing, those programs with clear dual purposes, or that do not easily fit within any of the categories, will exist. Also, many functions, while having a primary purpose, will also have one or more clear secondary purposes. For example, while many functions of the Department of Environmental Quality specifically target protection of the environment, protection of citizens and economic development are also considerations in the provision of these functions. For this reason, any secondary functions are also being identified and noted, as appropriate. The form in which this information will be collected is still in production.

At this stage in the process, whether this categorization will be used either foundationally or extensively is not certain, as there are also challenges to this approach:

- Use in budgeting – If this approach is to have meaning, both now and over time, it must be applied to the budgeting process. However, certain realities of the budgeting process make application during budget development, analysis, and creation difficult. A partnership with the executive branch would be imperative to both build the budget using this methodology and appropriately categorize changes requested. This requirement would also be a part of legislative budget creation. At the same time, certain costs, such as statewide personal services changes, are funded at a much higher level and would have to be allocated.
- Value to the legislature and legislative process – Careful consideration of form, content, and use needs to be explored further to determine if the effort required at both establishment and maintenance of this type of approach is of high enough value to the legislature. If decision-making and understanding are improved, the value is higher than if the end result is simply a different categorization that is used more for informational purposes than as a tool in budget building.
- Maintenance over time - As stated above, this approach requires maintenance over time. Consequently, it requires an ongoing effort not only by legislative staff but also by executive and judicial staff. This requirement must be weighed against any projected benefits.
- Use of the information – In any project that involves a certain level of judgment, and particularly when the information is used to help establish priorities, disagreements can arise over the categories to which certain functions belong. Therefore, there is a danger that discussion would fall around category determination for certain functions, rather than what the information is generally saying about state priorities.

HOW CAN THE LEGISLATURE INFLUENCE AND DETERMINE COSTS AND FUNCTIONS?

In order to use the information contained in the inventory, the legislature must know how it can influence and control costs of and among those functions, and the impacts of changes on the provision of services. In addressing this question, the functions and interrelationships of government can be broken down into two questions:

- 1) What "drives" the cost of state government, either within individual functions, agencies, or categories? Drivers are essentially those points that result in a level of expenditure. For example, in the foster care system, costs are driven by the number of youth in the system, the level of care they require (family foster care, therapeutic group home, etc.), and the cost of that care. Therefore, the drivers represent what the legislature must change if they are to influence or change costs. For many functions, personal services represent the great majority of costs, and the main drivers are the number of FTE employees and the level of compensation.
 - What can the legislature do (or not do) if it wishes to change the number of youth in the foster care system, or the level of care those youth need? How can the legislature influence the number of FTE a given function "requires"?
- 2) What are the factors that influence those drivers? For each of these drivers, there are a number of factors that determine their level. Therefore, these are the factors that the legislature must examine and influence if it is to influence the drivers, and consequently the level of expenditure and/or service level.

Using the example of the foster care system, there are a number of factors that determine the number of youth in the system, including but not limited to:

- Underlying state legal definitions of what constitutes abuse and neglect
- Federal requirements and definitions
- Poverty levels
- Community standards

In identifying these factors, the questions that arise are:

- Can the legislature influence, either directly or indirectly, those factors?
- If so, how, and what will be the impact on services and/or state priorities?

ISSUES AND OPTIONS

The heart and purpose of the entire project is encapsulated in issues and options for consideration by the legislature. A listing of major functions of state government and factors that influence expenditures cannot stand on its own. Issue development is necessary to aid the legislature in understanding the macro and legislative policy factors at work, and how and whether they can be influenced, the mechanisms of influence, and other consequences.

In the above example, a listing of factors begins to identify the types of options the state does or does not have. As shown, factors may or may not be under the legislature's direct or indirect influence or control. Therefore, the legislature must be able to identify that influence it can have, and the range of public policy choices inherent in it. In this example and only using those factors listed, if the legislature wished to influence the number of youth in the foster care system it must either change the statutory definitions or pursue anti-poverty measures. However, it could not change federal requirements and definitions and must allow for any impacts of that factor.

ANTICIPATED END PRODUCTS

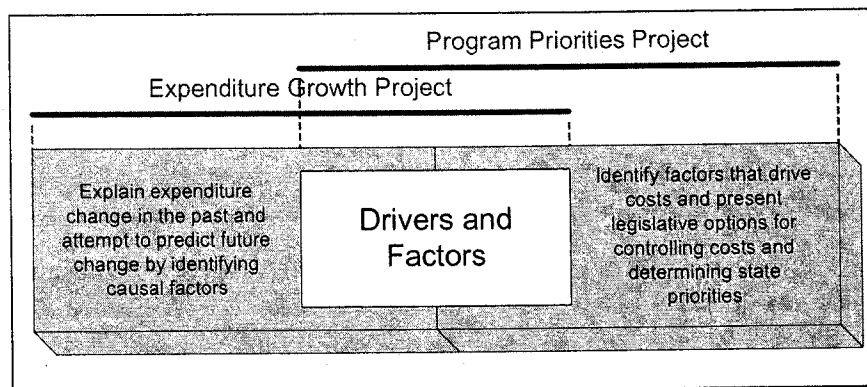
There are three primary end products anticipated from the project:

- Published document - While still under consideration as to particular form, the goal is to present the legislature with a document that includes, at a level of government to be determined (agency/program/function/subcommittee/category, etc.):

- Major drivers of expenditures
- Factors that influence those expenditures and whether the legislature can or cannot directly or indirectly influence those factors
- Various public policy issues and options, both from the categorization process and other sources
- Budget analysis issues - Most issues and options derived from this process will no doubt be included in the budget analysis, due to the ongoing nature of the effort and pertinence to the legislative session.
- Ongoing issue analysis, including interim work - Many issues and policy areas will require longer consideration and effort, and will be most conducive to interim projects.

RELATIONSHIP TO EXPENDITURE GROWTH PROJECT

This report is followed by a report by Terry Johnson and Jon Moe discussing the revenue and expenditure growth project. The expenditure growth portion of this project and the program priorities project are significantly intertwined, as illustrated in the following graph, through the identification of those drivers and factors that cause changes in expenditures. For the growth project, the factors and drivers identify what has caused expenditure change and where expenditures may be heading in the future. For this project, they identify how the legislature can control and/or influence those changes. In addition, analysis of past expenditures and how they might continue into the future is fertile ground for public policy issues concerning future priorities. As a consequence, the expenditure growth project can be a fairly seamless continuation into the program priorities project.



Another way in which the projects intertwine, and where information gleaned in the growth project can be used in the program priorities project, is in the types of choices and policy decisions faced by the legislature based upon whether long-term revenues and expenditures are in balance. If the expenditure and revenue growth project shows a systemic problem with long-term expenditure growth versus long-term revenue growth, the legislature has a different set of spending policy choices than if revenues and expenditures are either in general balance or imbalance is a short-term phenomenon. Short-term imbalances can be addressed through short-term measures, such as finding program efficiencies, use of fund balances, or even across the board reductions. However, systemic imbalance requires long-term choices that involve the setting of program priorities and determination of what state government is and shall be in the future.

Fish, Wildlife and Parks**Reporting Period: 8/22/2005 - 9/30/2005****LFD Staff: Barbara Smith, xt 5347****Project Description:**

FWP received authority to hire 2.00 FTE as Regional Investigators to increase the ability of the department to investigate and prosecute wildlife crimes. This project is designed to track the progress of the implementation of these positions.

Amount Appropriated		Amount Spent
2006	\$120,000	\$ 6,967
2007	\$110,000	0

Source of Funding:

General License Account (02409)

Intended Outcome(s):

Hiring two regional investigators dedicated to addressing organized wildlife crime will allow wardens focus on their regular field duties, increase the time spent investigating in wildlife crimes, and create a network to collect criminal intelligence.

Performance Measurement Criteria

1. FWP will track the total number of investigations by misdemeanor vs. felony; commercial vs. non-commercial; violations charged vs. violations detected; and the amount of time spent by the investigators assisting field wardens with investigations.
2. FWP will track the amount of time spent by the investigators coordinating investigations with other agencies, i.e. the U.S. Fish and Wildlife Service, the Forest Service, the BLM, the Board of Outfitters, the Department of Revenue, etc.
3. Regional investigators will investigate/coordinate residency violations based on the merge of ALS data with Department of Revenue data. FWP will track the number of license fraud cases made as a result of the merge and the number of individuals referred to the Department of Revenue for income tax residency investigations.
4. FWP will track the commercial wildlife inspections completed by the investigators on taxidermists, game processors, fur dealers, game farms, etc.
5. FWP will track the amount of criminal intelligence reports submitted and the number of interviews with subjects and informants.
6. FWP will track the amount of time spent by the investigators attending and conducting specialized investigative training courses.

Significant Milestones

	Target	Completed
Job Announcement Posted	6/15/2005	6/14/2005
Start Date of Potential Employees	9/15/2005	8/22/2005

Performance Indicators

	Sep-05		
	R-3	R-5	Total
1 Violations Detected	22	32	54
Violations Charged	11	14	25
Hours spent assisting wardens	1	50	51
2 Hours spent assisting Other Agencies	8	22	30
3 Number of license fraud cases	5	3	8
Number of referrals to Dept of Rev	0	1	1
4 Commercial wildlife inspections	1	0	1
5 Criminal intelligence reports submitted	0	3	3
Interviews conducted w/subjects	16	4	20
Interviews conducted w/informants	3	3	6
5 Trainings attended	0	4	4
Trainings conducted	0	0	0

Narrative Description of Activities:Region 3 Investigator

- * Fishing Outfitter case, fishing with 2 clients while river was closed to fishing.
- * Worked on 5 different residency cases, one completed, other 4 continue investigations.
- * Mountain lion case, killed in Montana by Idaho subject, taken back to Idaho and trophied (ID season open), working with Idaho investigator.
- * Elkhorn trophy bull elk case (scores 381), tag transfer, killed without permit, unlawful possession. One of the subjects involved also killed elk in '03 & '04 while priviledges were revoked duplicated 05 elk tag after already killing elk.

Region 5 Investigator

- * Met with USFWS agent for case mgt. excersises, training, intel exchange
- * Responded to Columbus district calls: game damage, trespass, assorted calls
- * Fike case follow up interviews
- * Hughes case follow up interviews illegally taken/sold Mtn Lion- ongoing intel
- * Met with R-5 wardens intel exchange, assistance, CIS intel forwarding
- * Cold Case - Pronghorn Ranch interview, evidence. Assistance of USFWS agents from MT, WY & WY F&G. Case made, citations issued, evidence gathered.
- * Attended Sand Cr. meeting - information exchange BLM, Fergus Co.S.O.,USFWS

LFD Comment(s)

- * New hires were in the field prior to target date.
- * FY 2005 data is being summarized to use as a benchmark against reported numbers to document incremental changes associated with hiring of RI positions.
- * Not all detected violations have been charged as of the reporting date. If they are charged at a later date it will appear on the next report.
- * Shortened reporting period due to hire date.

ATTACHMENT E

DP 33408 - Annualize Intensive Community Services (Goal 189) - This new proposal adds \$1.6 million general fund over the biennium to provide community-based services to uninsured individuals, who would otherwise have difficulty in transitioning from MSH to community services.

This proposal continues the Intensive Community Services (Goal 189) agency initiative started in FY 2008, with expenditures of \$218,860. It is estimated that the program will cost \$1.3 million general fund in FY 2009. It is the expectation of the department that the program can be successfully funded at a slightly lower level than FY 2009 by discontinuing the daily payment guarantee for group home beds.

THE FOLLOWING INFORMATION IS PROVIDED SO THAT THE LEGISLATURE CAN CONSIDER VARIOUS PERFORMANCE MEASUREMENT PRINCIPLES WHEN EXAMINING THIS PROPOSAL. IT IS SUBMITTED BY THE AGENCY, WITH EDITING BY LFD STAFF AS NECESSARY FOR BREVITY AND/OR CLARITY.

Justification: The initiative is designed to enable MSH to maintain its daily census as close to 189 as possible by developing new community services to serve the uninsured individuals needing more a intensive level of community care.

Goals and Objectives:

- Expand community based services to adequately serve individuals needing intensive services upon discharge from the state hospital or who are at risk of readmission to the hospital.
- Provide funding for community supports and resources to aid in transition and integration into community
- Provide timely access to treatment throughout the state to:
 - Help reduce the number of individuals who must be admitted to the state hospital.
 - Discharge individuals sooner, where they can be treated in a community setting; therefore reducing the census as well.

Performance Criteria and Milestones:

- Number of patients discharged with services and supports funded by this initiative
- Readmission rates for this population at 60, 90, 180 days compared with all discharges

FTE: None. Program support and analysis is provided through the AMDD Mental Health Services Bureau.

Funding: \$800,000 general fund each year.

Evaluation: The effectiveness of this program will be gauged through the daily census reports from MSH, as well as the number of individuals served within the community setting.

Obstacles: Development of new resources (group home beds) delayed implementation until June 2008. Programs administered through individual contracts and agreements is time-consuming for providers and AMDD staff.

Risk: Without these resources, the ability to keep the MSH census near the licensed capacity would be difficult. Further, uninsured individuals may struggle to find necessary crisis services in the community.

**LFD
ISSUE**

Evaluation Criteria are Good, but Need Benchmarks and Time Frames

The performance criteria for this initiative are good. They are specific and will enable agency staff, the public, and legislators to determine whether the Goal 189 services are effective. However, there is no bench mark/time period with data from which to start. For instance, if 100 persons receive services from this initiative, it would be good to know the time frame measured. If readmission rates vary significantly between time periods that information would

initiate discussions to either discontinue or improve services if the performance declines, or potentially expand services or replicate services in other areas of the state if performance improves. Since these services are funded 100 percent from the general fund and are provided regardless of ability to pay, the legislature may wish to consider restricting the appropriation.

Legislative Options:

If the legislature approves this request it could:

1. Request that the agency develop bench marks and designate a starting point as well as the time period to be measured and adopt those bench marks and measures
2. Restrict the appropriation to be used for transitioning persons from or preventing their imminent placement to MSH

DEPARTMENT OF REVENUE

DEPARTMENT CONTACTS

The department director, deputy director and budget analyst for the department and their contact information are:

Title	Name	Phone Number	E-mail address
Director	Dan Bucks	444-2762	dbucks@mt.gov
Deputy Director	Dave Hunter	444-3717	davidhunter@mt.gov
Budget Analyst	Loraine Wodnik	444-6739	lowodnik@mt.gov

WHAT THE DEPARTMENT DOES

Mission Statement - The Department of Revenue through a competent, diverse workforce committed to success:

- Provides effective and responsive service to citizens, businesses and nonresidents who participate in Montana's economy,
- Expands cooperation of citizens in making the tax system that they own work well,
- Supports equity and integrity in taxation through effective and uniform enforcement, while protecting taxpayer rights and thanking those citizens and businesses paying their fair share of taxes,
- Protects the public health, safety and order in the administration of liquor laws,
- Advises, based on sound study and analysis, the Governor, legislature and the public on tax issues, and
- Cooperates, consistent with its statutory role and responsibilities, with public officials and agencies in local, state, tribal and federal governments to achieve the public good.

Statutory Authority For Department of Revenue

Titles 2, 15, 16, 39, MCA

HOW SERVICES ARE PROVIDED

The Montana Department of Revenue is composed of more than 600 FTE in five divisions:

The **Business and Income Taxes Division** oversees audits and verifies compliance with Montana tax law for all state taxes, oversees state revenue collection activity, and completes appraisals and assessments of industrial and centrally assessed property.

The **Citizen Services and Resource Management Division** provides consistent service to Montana citizens, businesses and nonresident taxpayers through a call center, one-stop licensing, forms design and other taxpayer services. The division also provides service and support to the department in the areas of Accounting, Purchasing, and Facilities and Asset Management. The division also seeks to return unclaimed property (lost money and other properties) to its rightful owners.

The **Information Technology and Processing Division** provides application development and support services, as well as network services in the areas of data, desktop, information security and help desk support. The division processes tax returns and payments for the department and for state agency partners. This processing converts taxpayer data into electronic form for subsequent audit and compliance work and for tax policy analysis and revenue estimating by both the executive and legislative branch.

The **Liquor Control Division** administers the state's Alcoholic Beverage Code, which governs the control, sale and distribution of alcoholic beverages. The division includes liquor distribution and liquor licensing.

The **Property Assessment Division** is responsible for the valuation and assessment of real and personal property throughout the state for property tax purposes. The division is comprised of a central office located in Helena and six regional areas. There is a local DOR office located in each county seat within the regional areas. This division includes more than half of the department's employees.

The **Director's Office** supports the agency director and is composed of four work units. The basic function for each unit is:

☐ **Legal Services** supervises the overall legal efforts of the department, which includes rules, policies, bankruptcy, disclosure officer and the Office of Dispute Resolution.

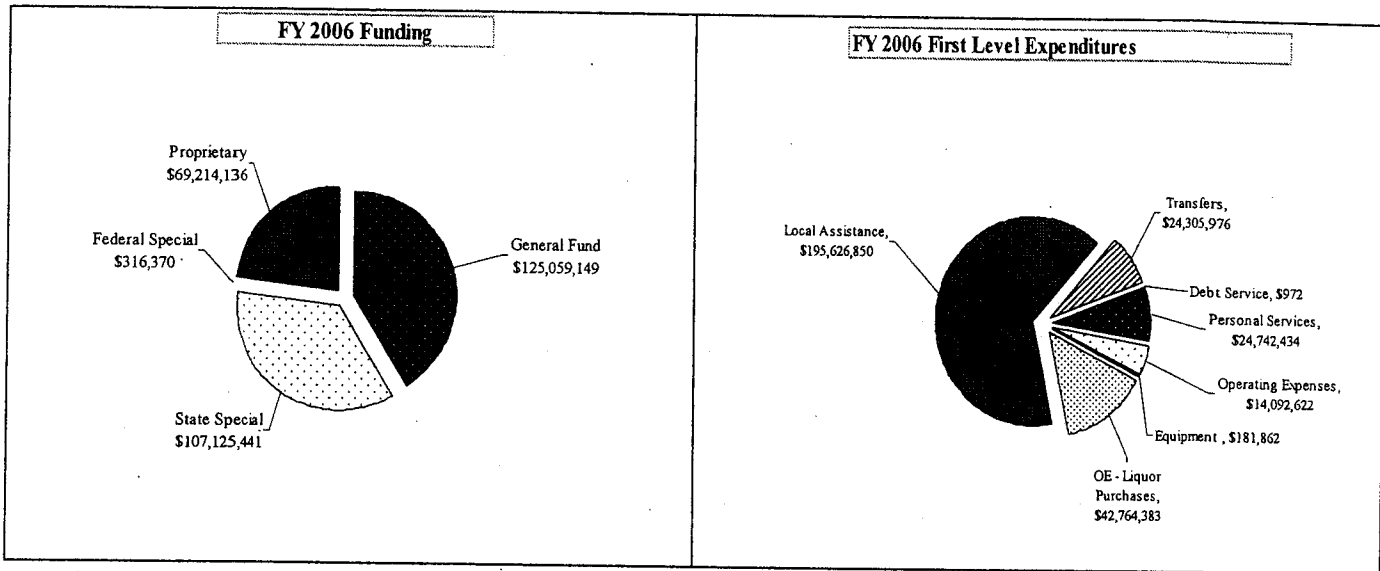
☐ **Tax, Policy and Research** is responsible for the preparation of legislative fiscal notes that affect revenue, the analysis of legislative proposals affecting the department, and analysis of department economic data and tax compliance. The office is also responsible for administrative functions relating to 1) calculating newly taxable property for local governments on an annual basis; 2) calculating the class twelve tax rate; 3) producing the yearly state assessors report and the taxes levied report; and 4) administering the HB124 entitlement share program and the HB20 and SB417 reimbursements.

☐ **Human Resources** manages the personnel activities of the department. The office includes three units: Human Resources, Payroll and Benefits, and Education and Training.

☐ **Executive Office** includes the budget analyst, public relations and administrative support.

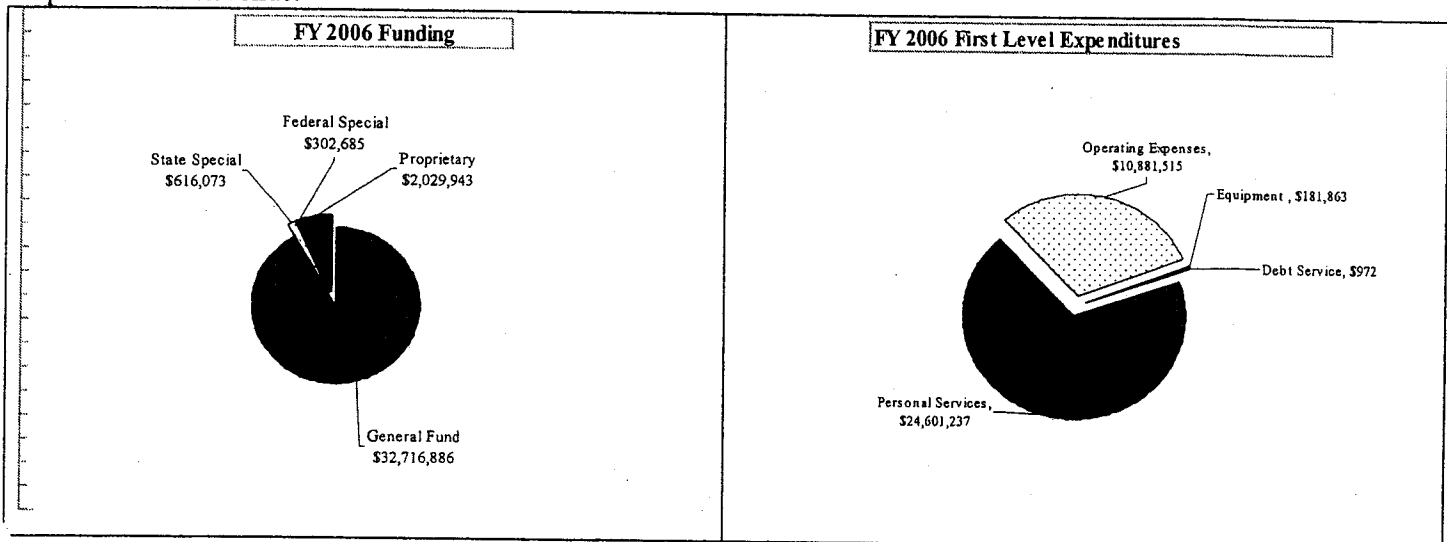
Spending and Funding Information

The following figures show funding and expenditure information for FY 2006 for all sources of funding of the Department of Revenue. Because the figures include all sources of funding there are no direct relationships between these figures and appropriation levels presented in the Budget Analysis for the 2007 Biennium.



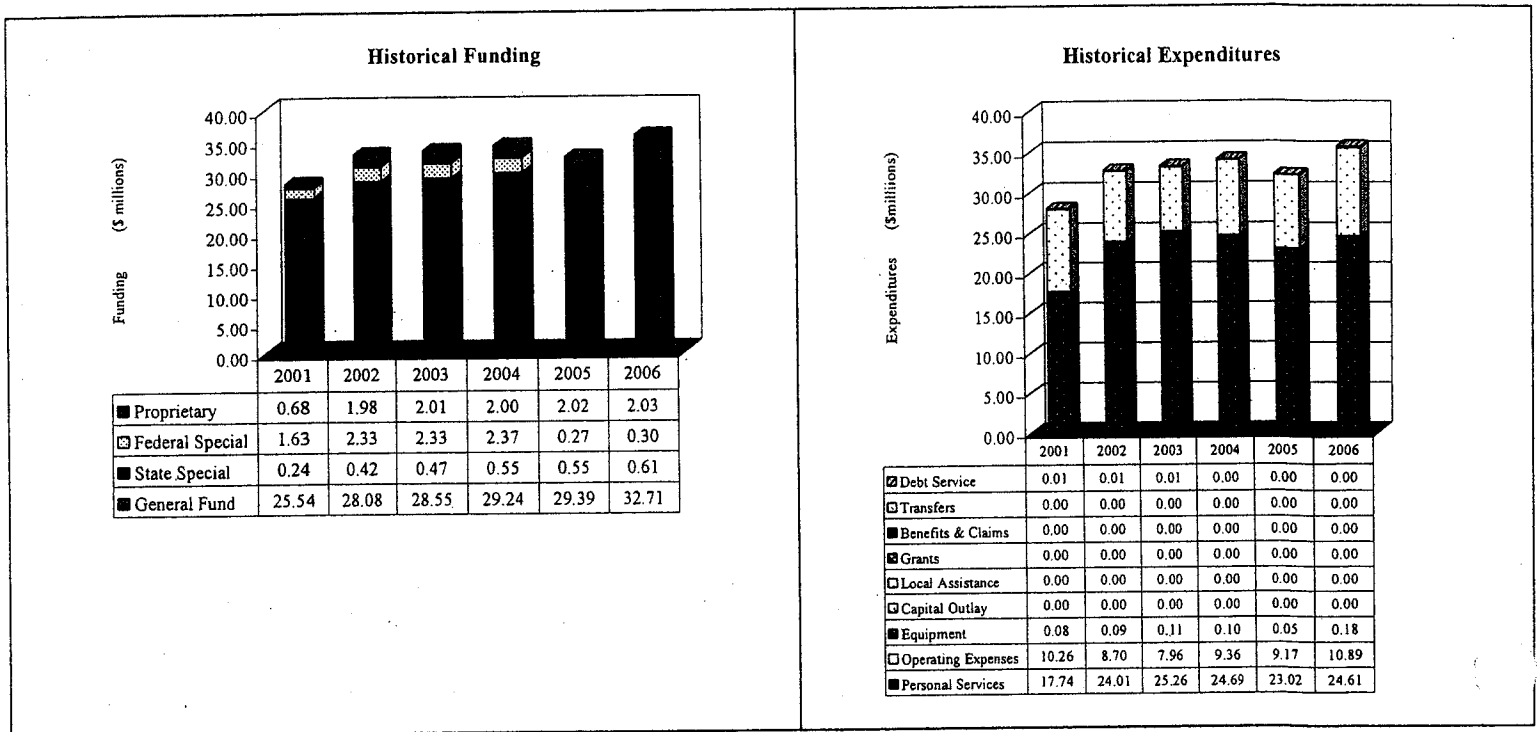
The graphs above do not include administrative appropriations. The department spent \$321,463 from two administrative appropriations in fiscal year 2006. One administrative appropriation was received from the Department of Natural Resources and Conservation (\$140,367) to cover the cost of printing, mailing and processing invoices and payments for the water adjudication fee. The second administrative appropriation was received from the Department of Public Health and Human Services (\$181,096) to monitor and enforce tobacco tax and Master Settlement Agreement laws related to the sale of tobacco.

The following figures show funding and expenditure information for FY 2006 for all HB2 sources of funding of the Department of Revenue.



The graphs above represent HB2 appropriations. The information does not include language appropriations, one-time-only appropriations, or administrative appropriations. Statutory appropriations are excluded because they are used for distributions and not operational funds or expenditures.

The following figures show funding and expenditures from FY 2001 through FY 2006, for HB 2 funding.



The graphs above represent HB2 appropriations from 2001 to 2006. The funding and expenditures do not include language appropriations, one-time-only appropriations, or administrative appropriations. Additionally, statutory appropriations are excluded because they are used for distributions to various entities including counties and the general fund; they are not used for departmental operations.

The graphs shown above accurately depict historical funding and expenditure information department wide. However at the division level, these same graphs do not provide comparative information.

As the subcommittee (legislature) knows, in the late 1990s the department contracted with Deloitte Touche to undertake the project called "META". This project was a prelude to POINTS, and META was a failure. The department has been working its way out of POINTS and META problems since 2001, including two successive department reorganizations in FY 2004 and FY 2006. These reorganizations, described in the LFD budget analysis, eliminated some and combined other divisions, making comparisons between years of division funding and expenditure information meaningless.

2007 BIENNIUM NEW PROGRAM IMPLEMENTATION AND PROGRAM EXPANSION

Program Expansion

The 2005 Legislature authorized the following general fund new proposals for the Department of Revenue in the 2007 biennium:

Delinquent Income Tax Receivable Collection - *Business and Income Taxes Division*
 Child Support Debt Collection Costs - *Business and Income Taxes Division*
 Tax Compliance Staff - *Business and Income Taxes Division*
 Property Assessment Division Computer System - *Property Assessment Division*
 Agricultural/Forest Land Reappraisal Program - *OTO - Property Assessment Division*
 Printing & Mail - SB48 - *Property Assessment Division*

Implementation status, including revenue generated, for each proposal is described in the applicable division template.

FTE

The legislature approved appropriations for an additional 15.50 FTE and eliminated funding for 9.50 FTE in the 2007 Biennium. The following figure shows the positions and hire/elimination dates for these FTE.

CORRECTIVE ACTION PLANS

The department had six legislative audit recommendations during the 2005 biennium resulting from the financial compliance audit for the fiscal years ended June 30, 2003 and 2004. The department put corrective action plans in place to resolve the issues raised and has completed the corrective action plans on four of the six recommendations and two subparts of another recommendation.

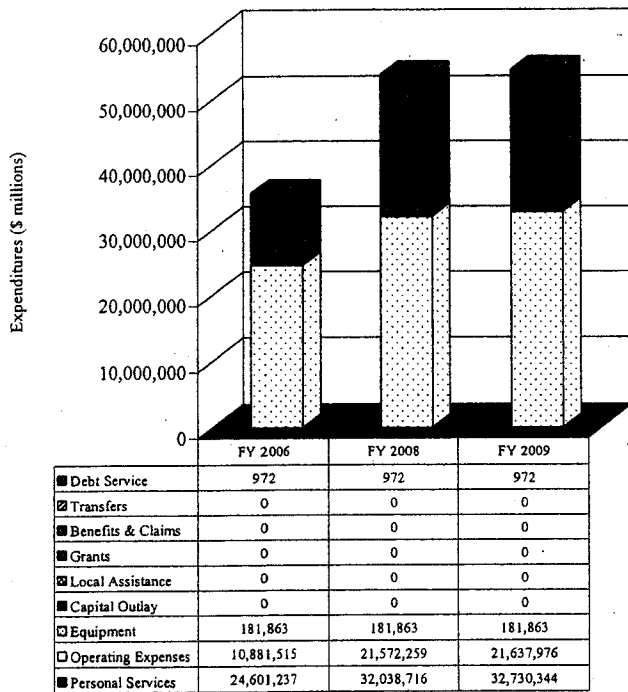
The Legislative Audit Division recently concluded its financial compliance audit of the department for the two fiscal years ended June 30, 2006 and cited seven audit recommendations. The department has started to implement corrective action plans and will continue to work towards meeting these recommendations throughout the current biennium.

2007 Biennium FTE Hire/Elimination Dates	FTE	Date
58102071	-1.00	6/30/2005
58102048	-1.00	6/30/2005
58102089	-1.00	6/30/2005
58107201	-1.00	6/30/2005
58106126	-1.00	3/28/2005
58106179	1.00	10/15/05
58106177	1.00	8/6/05
58106178	1.00	12/11/06
58106077	-1.00	8/8/2005
58107905	-0.35	2/27/2006
58101041	1.00	7/11/05
58107608	1.00	12/11/06
58107602	1.00	8/29/05
58107603	1.00	7/9/05
58107604	1.00	12/4/06
58107605	1.00	2/4/06
58107606	1.00	10/24/05
58107607	1.00	11/30/05
58108338	-1.00	6/30/2005
58108421	-1.00	6/30/2005
58108471	-1.00	6/30/2005
58108373	-0.15	7/22/2006
58108502	1.00	9/16/06
58108504	1.00	12/11/06
58108505	1.00	12/11/06
58108508	1.00	Vacant
58108510	0.50	Vacant

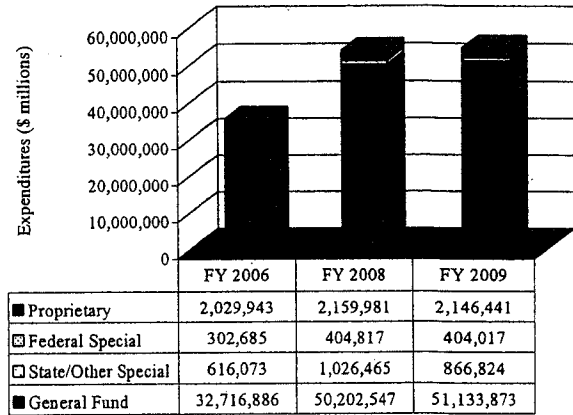
2009 BIENNIUM BUDGET

The following figures show the proposed HB 2 budget for the 2009 biennium.

**Department of Revenue
2009 Biennium HB2 Budget**



**Department of Revenue
2009 Biennium HB2 Budget**



Goals and Measurable Objectives

The department base year and budgeted biennium goals and performance measures that are associated with the proposed 2009 biennium HB 2 budget are as follows. Division performance indicators are listed at the division level.

I. Goal 1. Encourage compliance with Montana's tax laws through public education, effective and balanced enforcement, uniform valuation of all property and support for taxpayers who comply with the law.

A. General Objectives for All Taxes

Objective 1. Develop mechanisms, procedures and communications that thank citizens and businesses who timely file their returns, timely pay their fair share of state taxes, and otherwise help make the tax system work effectively by doing the right thing.

Objective 2. Continuously improve the effectiveness of taxpayer assistance by developing new outreach programs, improving electronic assistance services and evaluating the quality, accuracy and timeliness of all assistance service.

B. Objectives for State Taxes and Other Compliance Programs

Compliance programs include all activities in the department associated with a program or taxpayer activity. This includes: taxpayer assistance and information, appropriate rulemaking, taxpayer receipt of returns/information by the department (e-file or payer), audit programs, collection activity and potential litigation.

Objective 1. Implement effective enforcement activities to improve compliance with state income and business taxes in the areas of greatest need, including, but not limited to: a) underreporting of income or non-filing by out-of-state companies doing business in Montana; b) nonresidents earning income in the state through "pass-through entities," the sale of real property and other means; c) use of abusive tax shelters; d) specific industry compliance issues; e) the collection of tax debt delinquencies including those owed by out-of-state taxpayers; f) nonresident mineral royalty owners; g) implement effective measures to curtail the sale of untaxed cigarettes and tobacco products; h) issues related to natural resource taxes and royalties; i) issues related to the miscellaneous taxes; and j) issues associated with centrally assessed and industrial property reporting.

Objective 2. Develop a tax compliance analysis and performance review process for all major tax types to a) identify and estimate areas and types of tax noncompliance; b) measure and monitor the effectiveness of compliance efforts; and c) develop methods of further improving tax compliance based on the cycle of continuing tax gap assessment and performance measurement.

Objective 3. Improve the use of information for all tax type compliance purposes through a) enhancing compliance-related information required on tax returns or other reports; b) applying the information analysis and cross-matching capabilities of the IRIS computer system; c) developing sources of information from other state agencies; and d) expanding and enhancing through electronic means bilateral and multilateral information exchanges with other states and with the IRS.

Objective 4. Support and participate in the development of a) an interstate cooperative abusive tax shelter enforcement program through the Multistate Tax Commission; and b) other improvements in joint enforcement programs of the Commission.

Objective 5. Support quality participation in the cooperative federal royalty audit program with the Department of Interior's Mineral Management Service.

Objective 6. Evaluate the accounts receivable program to determine collection efficiency and effectiveness.

Objective 7. By July 31, 2007, develop administrative rules and an automated process for the administration of the bad debts program.

Objective 8. Continue to improve the development and defense of centrally assessed and industrial property market values.

Objective 9. Continue to evaluate all Department of Revenue relationships with agencies to determine program needs and requirements to ensure that realistic needs and requirements are met. In areas of deficiency, develop corrective action plans on a continuous basis to meet such deficiencies. This may include MOUs being developed between agencies, development of joint legislation, and potential reassignment of resources.

C. Objectives for Property Taxation

Objective 1. Complete the statewide property revaluation (reappraisal) by December 31, 2008, in a manner that achieves objective tests of property being assessed at market or (as applicable) productivity value.

Objective 2. Complete the reclassification and productivity determination of all agricultural land and forest land by December 31, 2008, using current GIS technology and data, from the Farm Services Agency (FSA) and the National Resource and Conservation Service (NRCS).

Objective 3. Certify taxable values for property to taxing jurisdictions by the statutory deadline. The certified values will include newly taxable property

Objective 4. Increase the functionality and use of the Geographic Information Systems (GIS) statewide in the department's local offices to improve the accuracy of parcel information, to increase efficiency in division activities and to improve access by our citizens.

II. Goal 2. Provide citizens, businesses, and nonresidents with effective and responsive services and the opportunity to help make the state tax, local tax and liquor control systems work better.

Objective 1. Seek to treat every citizen equally, with respect, courtesy and without discrimination of any kind through a) effective training and education of staff and contractors; b) clear and appropriate standards of communication; and c) procedures for promptly correcting problems and apologizing for mistakes.

Objective 2. Communicate with all citizens and businesses in a manner that recognizes their right to individual dignity under the Montana Constitution, that effectively assists them with complying with state tax laws and that develops an improved understanding of their state and local tax system.

Objective 3. Continue to review and rewrite all major department written communications to citizens and businesses to ensure that they communicate in a manner that reflects a proper combination of readability, respect for the citizen, effectiveness in achieving its intended result, responsibility and accountability by the department, and other positive qualities of communications.

Objective 4. Develop and implement, in consultation with the Governor, effective mechanisms for citizen participation in the work of the department through advisory bodies, panels for reviewing forms and instructions and other procedures.

Objective 5. Ensure citizens and businesses know their rights of appeal under Montana law and effectively adhere to the Montana Taxpayer Bill of Rights in the operation of the department.

Objective 6. Provide accurate responses to inbound calls, minimize the need to transfer the calls, and develop a system of measuring the accuracy, efficiency and effectiveness of our responses to taxpayer calls.

Objective 7. Continually review all forms and instructions to ensure they are clear and understandable, and all practices and procedures are as simple as possible, including the updating of forms and instructions for those taxes undergoing conversion to IRIS.

Objective 8. Provide timely public information and education programs to increase awareness of tax and liquor law changes, citizen service programs, and the department's electronic commerce and Internet services that are available to the public.

Objective 9. Enhance opportunities for electronic filing of tax returns and payments by citizens and businesses.

Objective 10. Maintain average processing time for paper tax returns at least ten days faster than the statutory goal of 45 days and evaluate opportunities for reducing refund-processing time further.

III. Goal 3. Accomplish the department's statutory responsibilities and performance objectives by using high quality practices in administration and effective, available technology appropriate to the work of the department.

Objective 1. Continually monitor the organization of the department and its processes to achieve results in the most efficient manner, strive to improve the quality and quantity of the department's performance, inspire committed participation by employees, provide clear accountability for performance, and educate the public on how the department operates to eliminate any confusion.

Objective 2. Implement a new property tax computer system by August 2007 that significantly improves the functioning of Montana's property valuation and assessment process, and enables the achievement of the department's reappraisal objective.

Objective 3. Implement rollout 4 of the IRIS integrated tax system by June 30, 2007, that includes all remaining tax, license and fee types administered by the department.

Objective 4. During each biennium following a regularly scheduled legislative session, review all agency administrative rules and internal policies and procedures and modify as necessary to ensure they reflect current law.

Objective 5. Continue to move the existing vendor population that receives bill payments from the department via electronic funds transfer rather than by paper warrant and register new vendors to receive payments electronically.

Objective 6. Calculate and distribute the fiscal year Entitlement Share Payments and other revenue distributions by statutory deadline or by deadlines established through contracts.

IV. Goal 4. Recruit, develop and retain a high quality employee work force and ensure employees are treated equitably, are properly trained and work in a safe and secure environment.

Objective 1. Develop programs, policies and procedures to ensure the citizens of Montana that the department operates in accordance with the highest standard of integrity and ethics.

Objective 2. Address the difficulty of retaining employees due to the increasing disparity between state salaries for the professions represented in the department's staff and salaries offered by other employers for the same professions, through implementation of Pay Plan 20.

Objective 3. Allocate resources in relation to statutory requirements and develop a process for evaluating workload issues.

Objective 4. Continuously improve the knowledge and skill level of the department's workforce through both an effective, standard training program for employees in areas of common need and specialized training in advanced issues of tax administration.

Objective 5. Develop effective outreach, recruitment and fair hiring practices to improve the diversity of the department's work force at all levels with respect to the population of Montana.

Objective 6. Further develop and improve an effective and equitable system of employee evaluation and accountability to enable employees to continuously improve performance and contribute to the department's efficiency and effectiveness.

Objective 7. Provide effective and appropriate means of open communication and participation by employees in department decision-making to support employee commitment to the department's work and to respect each employee's role in the organization.

Objective 8. Continue to improve a quality relationship of respect and communication with unions representing department employees and properly implement union contracts.

Objective 9. Support employee participation in the Interdepartmental Coordinating Committee for Women and consider carefully their recommendations relevant to the department.

Objective 10. Continue to allow alternative work schedules and telecommuting work opportunities in instances where customer service, liquor law administration, property valuation, tax compliance, data security or confidentiality will not be compromised.

Objective 11. Continue to ensure that technology and work environment needs of all employees have been met, including replacing computers on a timely cycle and staying current with state approved software.

Objective 12. Expand upon the ergonomic review steps currently in place and continue to take proactive measures to ensure employee workspaces are ergonomically correct within all department offices.

Objective 13. Periodically evaluate the department's fleet of vehicles to ensure the vehicles used to conduct the department's business are safe and reliable.

Objective 14. Continue to expand upon the department's employee safety and security measures to ensure work environments are safe and secure, including work areas that pose certain hazards, i.e., the liquor warehouse and the department's mailroom.

Objective 15. Continue to effectively inform employees of tax law changes, department activities, media activities, and the overall philosophy of the administration and the department to ensure employees have the necessary information to perform their duties.

Objective 16. Honor outstanding employees through state and department awards and celebrate employee accomplishments.

V. Goal 5. Develop and maintain cooperative working relationships with other governments and agencies, consistent with the Governor's policies and administrative guidance.

Objective 1. Expand, as appropriate and mutually beneficial, the number of revenue sharing agreements with tribal nations in Montana.

Objective 2. Enhance the communication and working relationships with local governments on property tax, revenue distribution and other department issues.

Objective 3. Evaluate and implement methods of improving consultation with local government officials on centrally assessed property issues.

Objective 4. Develop, in consultation with local government officials, legislation or procedures to reduce the fiscal disruption to local governments caused by large property tax protests, without sacrificing the requirement that property be assessed at market value.

Objective 5. Improve the exchange of information on a mutually beneficial basis with other state agencies, while maintaining the confidentiality requirements of state and federal law.

Objective 6. Review working relationships with the Internal Revenue Service, other state revenue departments and other Montana state agencies. This includes evaluating exchange of information agreements and determining if program needs and requirements are being met. Based on the evaluations, establish specific improvements, such as developing new MOUs, improving existing MOUs by identifying compliance cross-matching opportunities, and/or creating joint legislation.

VI. Goal 6. Enhance the capacity of the department to study tax systems and provide effective advice to the Governor, Legislature and the public on tax policy and administration as required by law.

Objective 1. Expand the abilities of the department's tax policy and research unit to perform the research tasks expected of them.

Objective 2. Respond effectively to the Governor and to requests from the Legislature on tax policy research issues and priorities.

Objective 3. With guidance from the Governor's office establish procedures for consultation with the public on tax policy matters.

VII. Goal 7. Accomplish the statutory responsibilities in the administration of the Alcohol Beverage Code with an emphasis on excellence in customer service and a focus on public safety. We want to ensure a safe, orderly and regulated system for the convenient distribution and responsible consumption of alcoholic beverages.

Objectives for Liquor Control Division

Objective 1. Continuously improve the efficiency of processing Liquor Licensing, monitoring compliance with laws and maintain a timely approval of at least 100 days.

Objective 2. In conjunction with objective 1, review all existing information required on forms, instructions and rules for necessity, convenience, legal clarity and reliability for users. Inform applicants on their responsibility to get information from a reliable source.

Objective 3. Continue to educate licensees on liquor laws and encourage everyone to comply with these laws and thank those licensees who follow the laws. Ensure fines and fees are assessed in a fair and equitable manner.

Objective 4. Provide the best service to agency stores, licensees and citizens by maintaining sufficient inventory to meet a monthly service level of at least 97% (MCA 16-2-101 (12)) and maintain at least a 99% accuracy rate for liquor cases ordered for the biennium.

Objective 5. Develop and maintain quality-working relationships by improving communication with the general public; other state agencies; public interest groups (such as MADD, Healthy Mothers /Healthy Babies, Safe Kids/Safe Communities) and stakeholders (such as licensees, agency liquor stores, liquor vendors, the Montana Tavern Association, and Montana Beer and Wine Distributors).

Objective 6. Continue to work with other state agencies and public interest groups to cooperatively develop educational efforts. This education will encourage responsible sales and service of alcoholic beverages, and promote the prevention of underage drinking and high-risk (or binge) drinking to overall protect the public health and safety of Montanans.

Objective 7: Develop and implement rules and procedures to allow fair interstate commerce based on recent court decisions. Specifically address the constitutionality of Montana's direct distribution laws, state residency requirements for liquor licensees and establish standards to qualify publicly traded companies as licensees.

BUDGET AND POLICY ISSUES

SIGNIFICANT ISSUES EXPANDED

- Cost Effectiveness

The Department of Revenue has met or exceeded the goals set for it by the legislature. The POINTS system has been shut down. The new IRIS system is on time and on budget. The legislature provided additional resources for audits and collections and set revenue targets for those staff. The department has exceeded the revenue targets for both decisions packages and will provide current data to the committee during the department's hearing. The department has exceeded its goals for audit collections in FY06 and is on track to meet or exceed the goals in FY07. Updated data will be provided to the committee at the hearing.

- FY07 Supplemental - Vacant Positions:

The LFD analysis comments on each division noting the number of vacant positions. In FY 2006 the Department of Revenue faced a \$1.1 million supplemental due to litigation costs associated primarily with centrally assessed property appeals. The statute required the department to develop and implement a plan to reduce or eliminate that supplemental. Because the department's budget consists of personal services and the operating expenses associated with those staff the only reasonable alternative was to force positions to be vacant. The department successfully eliminated its supplemental, but the result is the vacant positions noted by the LFD.

- META/POINTS/IRIS

The implementation of the IRIS computer system is on budget and on time. That is a significant achievement for a department that has struggled with a defective system for years. It will allow the department to better manage its resources and will provide the management reports to better prioritize staff and give decision makers the information for policy decisions.

The Legislative Auditor in its performance audit of compliance activities recommended that the department better prioritize its compliance activities and create a process to periodically reevaluate its allocation of resources. We agree and believe that the IRIS system will finally give us the management tools to start that process.

The Legislative Fiscal Analyst raises the issue of whether the department has submitted adequate performance criteria and milestones. We believe that IRIS will allow us to do a better job of creating the data to make those decisions and present reasonable plans and performance criteria to the legislature.

DEPARTMENT REVENUE

Director's Office

DIRECTOR'S OFFICE CONTACTS

The department director, deputy director, and budget analyst and their contact information are:

Title	Name	Phone Number	E-mail address
Director	Dan Bucks	444-2762	dbucks@mt.gov
Deputy Director	Dave Hunter	444-3717	davidhunter@mt.gov
Budget Analyst	Loraine Wodnik	444-6739	lowodnik@mt.gov

WHAT THE DIRECTOR'S OFFICE DOES

The Director's Office provides for the general management of the agency, the overall legal efforts of the department, the preparation of legislative fiscal notes that affect revenue, the analysis of legislative proposals affecting the department and the analysis of department economic and compliance data. Director's Office staff also provides the payroll, benefits, and education and training functions of the department.

Statutory Authority For Department of Revenue

Titles 2, 15, 16, 39, MCA

HOW SERVICES ARE PROVIDED

The Director's Office is organized into four primary sections with the following functions:

The Executive Office assists the Director with administrative functions and communication to the public, other agencies, and elected officials.

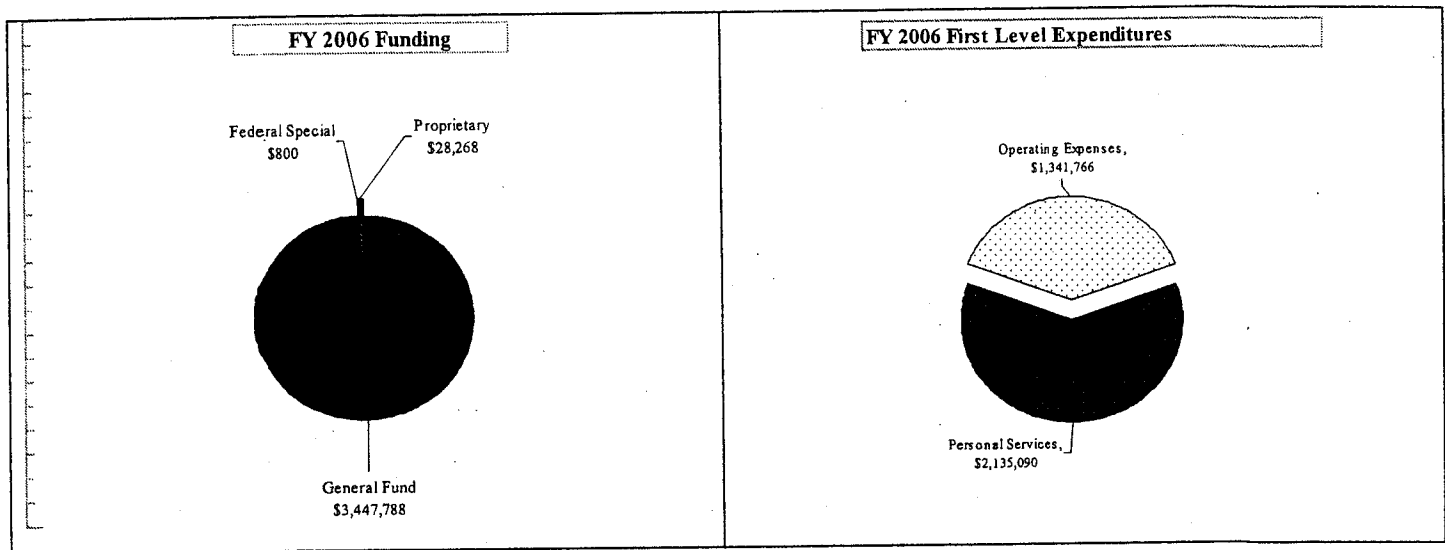
The Legal Services Office provides the department with legal representation before various courts; legislative development and review; filing bankruptcy claims; and developing policy and administrative rules. It is responsible for the management of the office of disclosure and taxpayer assistance which handles taxpayer inquiries from other taxing jurisdictions and state agencies. The office of disclosure and taxpayer assistance also provides taxpayer assistance. The legal services office oversees the office of dispute resolution which reviews, facilitates, and resolves taxpayer disputes internally through a variety of means, including mediation.

The Tax Policy and Research Office is responsible for the preparation of legislative fiscal notes that affect revenue, the analysis of legislative proposals affecting the department, and department economic and compliance data analysis.

The Human Resources and Organizational Development Office (HR) is responsible for the human resources, payroll and benefits, and education and training functions of the department.

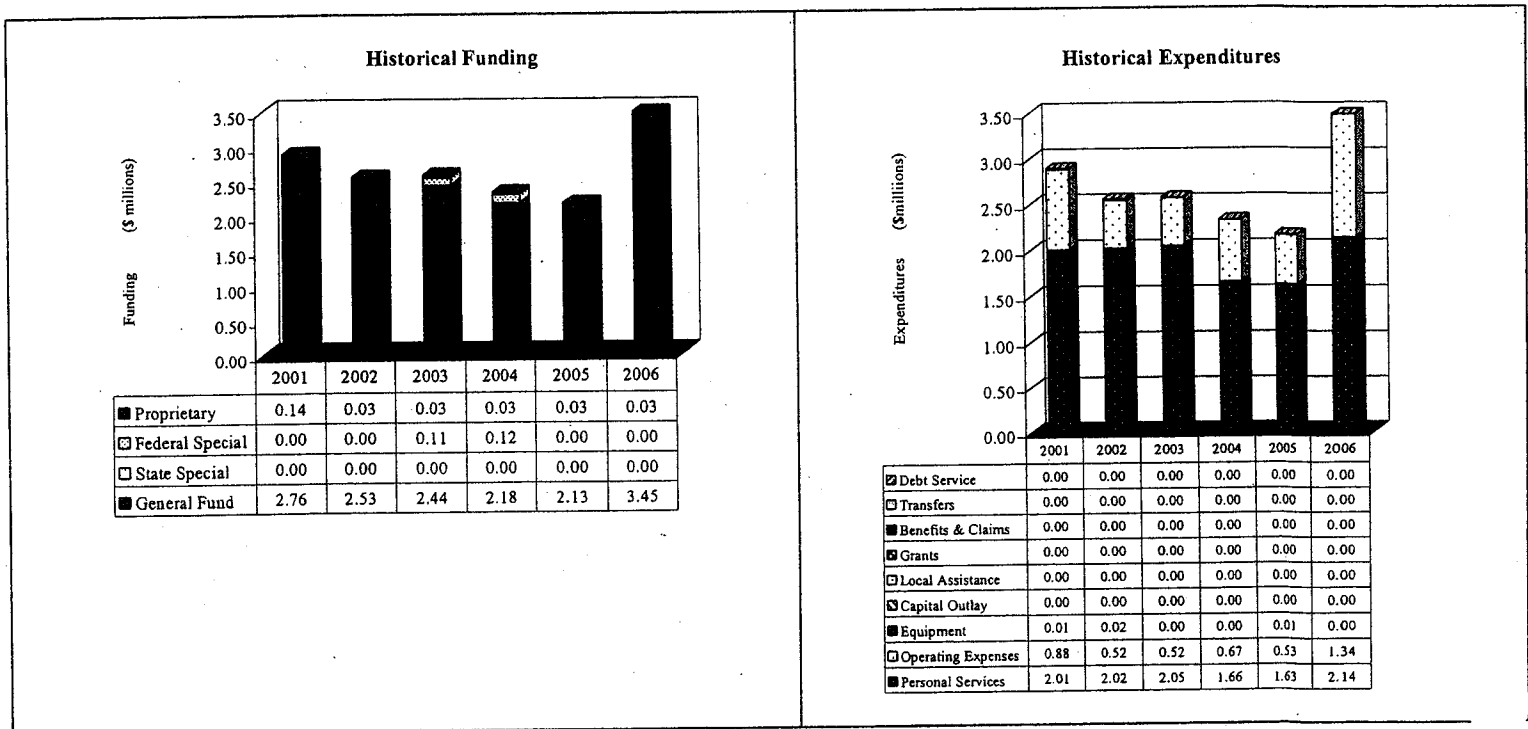
Spending and Funding Information

The following figures show funding and expenditure information for FY 2006 for all HB2 sources of funding of the Director's Office.



The graphs above represent HB2 appropriations in FY 2006. The funding and expenditures do not include language appropriations, one-time-only appropriations, or administrative appropriations. Additionally, statutory appropriations are excluded because they are used for distributions to various entities including counties and the general fund; they are not used for departmental operations.

The following figures show funding and expenditures from FY 2001 through FY 2006, for HB 2 funding.



Because of department reorganizations, the funding and expenditures portrayed in the graphs above do not provide comparable financial information. The graphs do not accurately reflect the programmatic changes that resulted in fluctuations in funding and expenditures between years.

As the subcommittee (legislature) knows, in the late 1990s the department contracted with Deloitte Touche to undertake the project called "META". This project was a prelude to POINTS, and META was a failure. The department has been working its way out of POINTS and META problems since 2001, including two successive department reorganizations in FY 2004 and FY 2006. These reorganizations, described in the LFD budget analysis, eliminated some and combined other divisions, making comparisons between years of division funding and expenditure information meaningless.

The FY 2006 department reorganization moved the human resources function into this division.

2007 BIENNIUM NEW PROGRAM IMPLEMENTATION AND PROGRAM EXPANSION

Program Expansion

The Director's Office requested no new proposals from the 2005 Legislature.

FTE

The 2005 legislature eliminated 1.00 FTE in the Director's Office in the 2007 Biennium. The following figure shows the position number and the elimination date for this FTE.

2007 Biennium FTE Elimination Date	FTE	Date
58102071	-1.00	6/30/2005

CORRECTIVE ACTION PLANS

The Director's Office had two legislative audit recommendations and associated corrective action plans in place during the 2007 biennium.

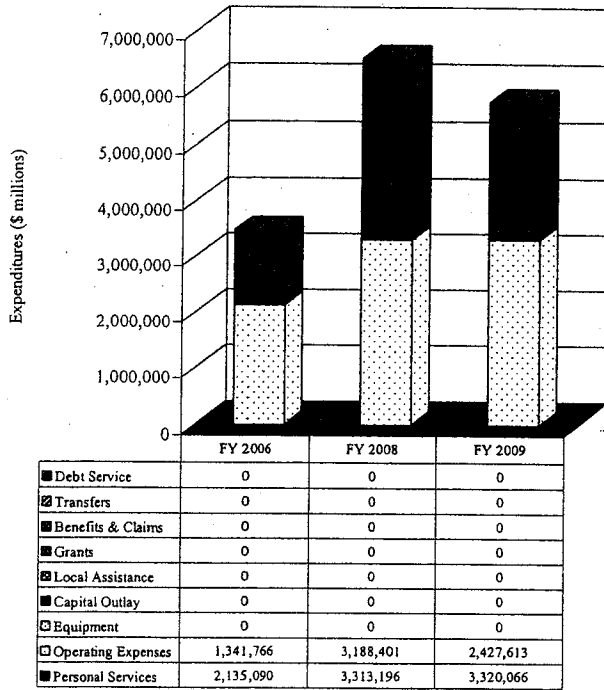
The first recommendation was to resolve the constitutional issue regarding the repayment of state debt as it relates to funding for replacement of the department's POINTS computer system and to discontinue drawing funds from the department loan with the Board of Investments. Funding to pay off the department loan was passed in the supplemental bill in the 2005 legislative session and the department paid off the loan on June 15, 2005.

The second recommendation was to develop written policy for the reporting of actual or suspected theft. The department has developed written procedures to provide guidance to employees when they are aware of or suspect theft of state property.

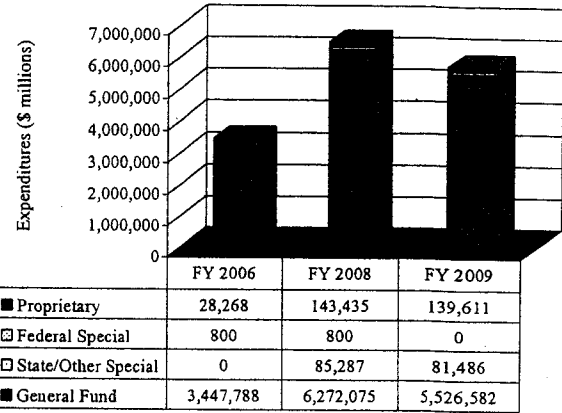
2009 BIENNIUM BUDGET

The following figures show the proposed HB 2 budget for the 2009 biennium.

Department of Revenue
2009 Biennium HB2 Budget



Department of Revenue
2009 Biennium HB2 Budget



Goals and Measurable Objectives

Goals and Objectives are provided in the Department template.

The following table shows the division performance indicators associated with the proposed 2009 biennium HB 2 budget.

INDICATOR	ACTUAL FY2004	ACTUAL FY2005	ACTUAL FY2006	ESTIMATED FY2007	REQUESTED FY2008	REQUESTED FY2009
HUMAN RESOURCES						
EMPLOYEE RETENTION	90%	90%	90%	90%	90%	90%
FINANCIAL MANAGEMENT						
HB124 ENTITLEMENT SHARE DISTRIBUTIONS	\$82,458,750	\$85,005,311	\$85,504,866	\$85,595,570	\$88,185,397	\$90,855,194
OIL AND NATURAL GAS PRODUCTION TAXES	\$94,564,820	\$140,886,788	\$203,192,928	\$205,000,000	\$205,000,000	\$205,000,000
LIQUOR VENDOR PAYMENTS	\$39,377,111	\$42,099,791	\$42,128,821	\$44,656,550	\$47,335,943	\$50,176,100

BUDGET AND POLICY ISSUES

The following budget and policy issues are included in the Director's Office budget submission to the Governor's Office.

PL- 701 - Compliance - Legal -

The purpose of this proposal is to ensure that justice is served by taxpayers paying their "fair share" as determined by the Montana Constitution and the legislature so that additional or higher taxes are not required to be paid by those already paying the proper amounts under the law. Legal resources are needed to support the department's compliance efforts from litigation through to completion by collection. The proposal includes 7.00 FTE and general fund of \$957,315 in FY 2008 and \$930,593 to provide the department with the resources to ensure proper compliance.

PL- 1011 - Fulfill Statutory Responsibilities -

The purpose of this proposal is to improve the efficiency and effectiveness of the department and its responsiveness to citizens, improve worker safety, and reduce disruptions in revenue administration due to natural disasters. This proposal requests \$2,470,711 general fund over the biennium to fund 8.00 FTE, and operations to provide the department with resources to perform current statutory obligations. This includes funding to recruit, train, and manage staff, improve operations, ensure timely hearings of citizen appeals of department decisions, address environmental concerns in department facilities, and provide for disaster recovery.

SIGNIFICANT ISSUES EXPANDED

- Contingency Language

The department has asked for contingency language to address unexpected litigation. In the 06/07 biennium the department faced a \$1.1 million supplemental resulting from a level of litigation that was not covered by the existing appropriation. Centrally assessed property tax cases can be expensive, but millions of dollars of tax revenue are at state and the department has the obligation to defend the tax base and the laws enacted by the legislature. It is not reasonable to fund the department for all the litigation that might be filed each biennium. The department is seeking a method to provide funding for litigation when it occurs without committing state dollars that may not be necessary if litigation does not take place.

ATTACHMENT G

Transferability and Student Data		Agency/Program #: 5102-01-11
		Division:
		Program: OCHE Administration
Agency Name:	Montana University System/Office of the Commissioner of Higher Education	
Agency Contact:	Tyler Trevor, Associate Commissioner of Higher Education	
LFC Contact:	Senator Dave Wanzenried	444-0307
LFD Liaison:	Alan Peura, Fiscal Analyst II	444-5387
OBPP Liaison:	Suzan Scott, Budget Analyst	444-4895

Program or Project Description:

To improve the transferability of student credits/coursework between the campuses of the Montana University System (including the community colleges).

Appropriation, Expenditure and Source				
Fund Name:	2008		2009	
	Approp.	Expended	Approp.	Expended
General Fund	1,291,099	59,370	253,901	
State Special				
Federal Funds				
Total:	\$1,291,099	\$59,370	\$253,901	\$0

Approp & Expenditure numbers are as of October 31, 2007

Goal(s):

That retention rates and completion rates for students that have transferred between campuses and transferred in coursework from other institutions are at the same level as retention and completion rates for students that have not transferred.

Performance Measures :

Create 11 faculty councils.

Create transfer pathways in 11 different program/subject areas.

That the number of pre and postsecondary education credits accepted for transfer by the MUS has increased by 15% over 2007 baseline (including but not limited to dual enrollment, running start, advanced placement, and tech prep).

That the number of student appeals of credit transfer decisions is reduced below the prior year rate toward a total reduction of 50% by 2009-2010. Proposed new performance measures for FY 2008 (alternate wording)

1. Create at least 11 faculty councils, each of which will develop transfer pathways in its subject area
2. Create electronic MUS website forum for cost-effective implementation of council deliberations on course-transfer
3. Develop as transfer pathways (above) a system of common-course identifiers for all courses reviewed by faculty councils
4. Apply common-course identification (prefix, number, title, credits) to all courses judged by faculty councils to be equivalent
5. Develop, test, and refine computerized student transfer program with Web interface.

2009 Biennium Significant Milestones:

		Completion Dates	
		Target	Actual
1	Hiring of 2.5 FTE (Director of Transferability, Computer Programmer, and Computer Support Specialist).	July 2007	July 2007
2	Identify 11 faculty councils	Sept 2007	Sept 2007
3	Approve Board of Regents policy mandating Common Course Numbering	Nov 2007	Nov 2007
4	Centralized, web-based computer program developed to demonstrate transferability of courses throughout the MUS	Sept 2008	
5	Undergraduate courses in 11 disciplines will be common course numbered	Sept 2008	

Undergraduate courses in 11 more disciplines will be common course numbered

Sept 2009

Performance Report:

By September 2007, 11 faculty discipline-based councils were identified. The first four councils met on November 9 in Helena to launch their work. The next four will be launched in mid January. Initial cost estimates did not anticipate participation of tribal college, private college, and high school faculty, yet all three entities were invited to participate, with 6 of 7 tribal colleges being represented. The meeting totaled 70 participants, and of the four councils, one reached near unanimity during the course of the day.

A discussion forum at the MUS website has been created for each council to continue its conversations while they're apart, reducing the travel cost and time for further face-to-face meetings--hopefully to only two or three more beyond the first one.

Existing campus-based transfer agreements have been collated into a single master database that provides one basis for selecting which councils to put to work in which order. A preliminary web-based interface has been developed to help users learn what courses transfer where and how (as general education credits, as program requirement, or as electives).

LFD Narrative:**Executive Changes:**

1. No changes to Goals/Initiatives
2. No changes to Performance Measures

LFD Assessment:

1. Yes, goals are measurable within the bienium
2. Progress toward goal: Best Practices - by approving "common course numbering" process, the Board of Regents have provided a clear, measureable end-point horizon and process for this transferability initiative

Appropriation Comments:

1. Yes, appropriation/expenditures provided
2. No appropriation issues

Options regarding goal/initiative and performance measures:

1. On track - Postsecondary Education Policy and Budget subcommittee (PEPB) will continue to work with the university system to refine the measures for transferability as computerized system and data gathering capacity continues to improve.



Version	Date	Author
EO - 1	11/29/07	Peura

Change Description
Initial completion of form (updated LFD Narrative 12/04/2007).

ATTACHMENT

2011 BIENNIUM LFD BUDGET ANALYSIS NARRATIVE – DEPARTMENT OF REVENUE

“...As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

2009 Biennium Major Goals

The following provides an update on the major goals monitored during the current interim. Three goals were reviewed during the interim:

- Goal 1: Prevent tax increases, aid taxpayers in following the law, ensure fiscal responsibility, protect Montana businesses from unfair competition, and improve tax fairness and integrity in Montana's current tax laws
 - Challenges
 - Baseline data is still being collected and performance measures are still being developed
- Goal 2: Expand convenient and cost-saving electronic filing services for Montana taxpayers
 - Successes
 - Free Internet filing of mineral royalty withholding annual reconciliation forms
 - Free Internet filing of employer withholding annual reconciliation forms
 - Free Internet filing of individual income tax Form 2M returns and Elderly Homeowner/Renter Credit (2EC) returns
 - Free Internet filing of wine tax returns
 - Provided for electronic filing of corporation license tax returns under the fed/state modernized e-file program
- Goal 3: Complete the current reappraisal cycle in a uniform and equitable fashion by January 1, 2009

2011 Biennium Major Goals

The following goal for the 2011 biennium and key objectives were included in the executive budget for the department:

- Continue to provide citizens, businesses, and nonresidents with quality value-added services, and continuously improve taxpayer assistance and customer services by developing new outreach programs and improving electronic assistance services
- Provide taxpayers and business owners with, among other things, an understanding of Montana's tax laws and regulations, answers to complex tax questions, assistance in meeting their filing requirements electronically, and advice on how to reclaim unclaimed property, through development and implementation of a Taxpayer and Small Business Assistance Program that operates in conjunction with tax practitioners, local economic development corporations, and a variety of private sector organizations such as AARP and Volunteer Income Tax Assistance (VITA)
- Under the guidance and direction of the department's "writing project", review and rewrite all department system-generated communications to citizens and businesses to ensure that communications reflect a proper combination of readability, respect for the citizen, effectiveness in achieving intended results, responsibility, and accountability by the department, and other positive qualities of communications.
- Provide training to department employees on the proper use of these communication tools
- Provide accurate responses to inbound calls, minimize the need to transfer customer calls, and develop a system of measuring the accuracy, efficiency, and effectiveness of our responses to taxpayer calls
- Provide a convenient accessible and timely system for the business community to acquire and maintain the state regulations and licenses necessary to conduct business in the state by augmenting the current one-stop business licensing system with the development of an online registration system for all business licenses, fees, and permits"

ATTACHMENT I

Improve MHP availability - installation of equipment and concept of "patrol car is their office"

Agency/Program #: 4110-13-G1
 Division: 13 - Mt Highway Patrol (MHP)
 Program: MHP

Agency Name: Department of Justice
 Agency Contact: Kathy Seacat
 LFC Contact: Senator Bales, Senator Gallus 444-5842
 LFD Liaison: Pat Gervais 444-1795
 OBPP Liaison: Brent Doig 444-4118

Program or Project Description:

Increase patrol hours by new technology and improved efficiencies.

Appropriation, Expenditure and Source

Fund Name:	2010		2011		Approp & Expenditure numbers are as of August 30, 2010
	Approp.	Expended	Approp.	Expended	
General Fund					
State Special	217,380	217,380	20,271	185	
Federal Funds			207,024	35,353	
Total:	\$217,380	\$217,380	\$227,295	\$35,538	

Legislative Goal(s):

To improve MHP availability through development of the concept that a patrol vehicle is the trooper's office.

Legislative Performance Measures :

1. Ongoing comprehensive IT upgrades will lead to improvements in efficiency including a reduction in the number of hours used for crash investigation, report writing, and case preparation. Currently, the MHP spends nearly 80,000 hours per year on these duties out of a total of 330,000 hours worked.
2. Increased available time will translate to increased patrol availability, the end result being increased contacts with motorists, increased citation issuance, and improved traffic safety. The MHP issues over 82,000 traffic citations per year based upon 2007 activity.
3. The MHP investigates on average ten thousand motor vehicle crashes per year, with 2700 of those being injury and 220 of those crashes being fatal.
4. Increases in efficiency due to the IT and business process improvements should result in increased trooper availability, an increase in traffic citations, and a drop in crash activity in all severity levels.
5. A drop in crash severity and rate is a major goal of the MHP.

2009 Biennium Significant Milestones:

		Completion Dates	
		Target	Actual
1	Secured a federal grant for \$115,000 in order to allow development of a statewide web based crash reporting program. This grant will be used to allow all law enforcement agencies the capability to report crashes via the web based program.	5/30/2010	
2	Secured a federal grant for \$92,024 for a state coordinator to train all law enforcement agencies within the state on web based crash reporting.	10/31/2009	12/23/2009
3			
4			
5			

Agency Performance Report:

As of September 30, 2008, all active Montana Highway Patrol (MHP) troopers have Itronix Laptops installed in their vehicles. Improvements to the software have continued since installation. In addition, agency knowledge and understanding of the system has increased dramatically. At the end of 2010 MHP Administration will have an accurate data picture of agency operations and historically correct data to compare to operations going forward.

Upon review of the first 8 months of 2010 activity in comparison to 2009 several improvements are noted.

Vehicle stops have increased nearly 22% in 2010

Fatal Crashes have dropped nearly 23% in 2010

Crashes overall have dropped nearly 19% in 2010

Citations have increased nearly 6% in 2010

Warnings have increased nearly 15% in 2010

Patrol availability has remained nearly constant. However, improvements to the software and additional review of troops' allocated hours will likely show an increase in patrol availability going forward.

Looking forward, MHP Administration will be able to utilize the historically correct data to manage agency operations and effectively schedule and staff troopers into areas warranting additional enforcement activities based off of crash data review.

LFD Narrative:

LFD Assessment: On track

Data Relevance: Yes

Appropriation Status: Provided

Comments/Issues: Data for eight months of 2010 indicate that fatal crashes have dropped about 23 percent and total crashes have dropped about 19 percent.

Options:

--Change LFD assessment

--Release from reporting

Version	Date	Author
AO-1	12/11/07	Gervais
DW-2	05/16/08	Gervais
DP-3	09/24/08	Gervais
D1	10/21/09	Gervais
D2	09/30/10	Gervais

Change Description
1st report
June 2008 update, version changed to reflect section d
Sept 2008 update
2011 biennium continuation
Sept 2010 update



Performance Evaluation Fact Sheet

COURT HELP, JUDICIAL BRANCH**ISSUE STATEMENT**

The Joint Appropriations Subcommittee on Judicial Branch, Law Enforcement, and Justice voted to request monitoring of this item. The legislature appropriated funding for the Court Help Program in the 2009, 2011, and 2013 biennia with one-time funding. With this funding, has the program achieved its intended purpose, as stated below by assumption from a bill that failed to be enacted by the legislature?

HISTORY AND PURPOSE OF PROGRAM OR ITEM

SJ 6 of the 2005 Legislature requested a study of access by low-income Montanans to the Montana civil legal system. The Law and Justice Interim Committee requested HB 60 during the 2007 Legislature, which would have established the "Montana Access to Civil Justice Act" to be administered by the Supreme Court; identified the duties of the program, then identified as the self-help law program; and appropriated \$505,000 general fund for each year of the 2009 biennium. HB 60 also stated the purpose for the program was to "make Montana's court system more accessible by:

- Providing Montanans with user-friendly information about Montanan's civil law, courts, and legal system
- Providing state-level, self-help legal resources, tools, information, and training materials on a statewide basis in a cost effective manner emphasizing technology and volunteer services
- Facilitating the efficient use of judicial resources in civil court proceedings that involve self-represented litigants"

HB 60 failed to pass the legislature having died in the House Appropriations Committee. Instead, the legislature appropriated general fund to the Supreme Court Program of the Judicial Branch in the amount of \$252,500 in each year of the 2009 biennium, and specified in language the various uses of the funds.

The 2009 Legislature funded the program in HB 645 for the 2011 biennium, a bill that implemented the American Recovery and Reinvestment Act of 2009, with \$250,000 general fund year. For the 2013 biennium, the legislature funded the program with nearly \$296,000 of restricted, biennial, and one-time-only general fund per year but without the restricted language that was included for the 2009 biennium.

The current program includes the following:

- Two full-time staffed centers have now been established in Flathead and Yellowstone counties
- Four part-time centers have been established in Missoula, Great Falls, Bozeman, and the State Law Library in Helena. The centers provide services four or more days a week and are staffed by a combination of paid employees, AmeriCorps service members, and volunteers
- Leveraged funds provide six AmeriCorps members who travel and provide services to 17 rural counties
- A program coordinator and a legal resources developer

MEASURES FOR DETERMINING EFFECTIVENESS

Measure One:

To measure if the program is facilitating the efficient use of judicial resources, surveys were used to compare case filings in civil court proceedings involving self-represented litigants. Specific measures are:

1. Beginning December 1, 2011, paperwork filed by self-represented litigants involved in domestic relations cases in Missoula, Gallatin, Cascade, Lewis and Clark, and Yellowstone Counties who received court help center services were stamped with a "Court Help" stamp and paperwork for self-represented litigants not receiving center services were not stamped.
2. In March 2012, clerks of the district court in the five participating counties completed a survey comparing the quality of paperwork submitted by litigants who have visited a center (as verified by the stamp) and those who have not visited a center. The survey asked for general assumptions about whether center assistance improved the quality of the paperwork and the ability of the court to process the cases.
3. In March 2012, the judges in each of the five participating counties were asked to complete a survey comparing the quality of paperwork submitted by self-represented litigants who have visited a center (as verified by the stamp) and those who have not visited a center. The survey asked for general assumptions about whether center assistance improved the quality of the paperwork and the efficiency of the court to process the cases.

Expected outcomes:

- Litigants receiving center services will have better prepared and more complete paperwork than those not receiving service
- Litigants receiving center services will have a better understanding of the court process
- Clerks will be able to process case filings more efficiently for litigants who received center services than for litigants who did not seek services from a center
- Judges will notice an improved ability of self-represented litigants to navigate the legal system
- Litigants who received center services will provide more orderly and complete case filings and court efficiency will increase as a result

Measure Two:

To measure if the legal clinics facilitated by volunteer attorneys improve the ability of a self-represented litigant to represent themselves in court, cases for a specific group of litigants were tracked. This measure is limited to the 13th district family law and motion clinics staffed by volunteer attorneys. Specific measures that were monitored beginning in January 2012 were:

- In Billings, the judges held a monthly law and motion day in which all family law self-represented litigants were offered the assistance of a volunteer attorney to review the sufficiency of their filing documents prior to appearing before the judge
- Litigants were asked to complete a survey at the end of their filing to determine if the clinic improved their understanding of the process and their confidence in the court's decision
- Clerks were asked to complete a survey at the end of the law and motion day to determine if the clinic improved the completeness of documents submitted by the litigants, how well prepared litigants were, and if time and efficiency of the court was enhanced
- Judges were asked to complete a survey at the conclusion of the law and motion hearings to ascertain if the documents, as well as the individual litigants, were better prepared, the impact on time and efficiency of the court, and the anticipated reduction of return visits of the litigants
- The volunteer attorneys were asked to complete a survey to determine if they believe the clinics improved how well prepared the litigants were, as well as the accuracy and quality of the final documents submitted to the court

Expected outcomes:

- Litigants attending the clinic will present complete and accurate required documents, and will have an improved understanding of the court process and more confidence in the court's decision

- The clerks will observe that self-represented litigants are more prepared and their documents are complete and accurate, which will improve the efficiency and effectiveness of the court's time
- The judges will observe that self-represented litigants are more prepared and their documents will be complete and accurate, which will improve the efficiency and effectiveness of the court's time. These litigants will demonstrate a better understanding of the court process and therefore confidence in the court's decision
- Finally, the volunteer attorneys providing assistance prior to the hearing will enhance how well prepared litigants are for their hearing, and the documents they submit will be more accurate and complete. This will improve the issuance of a decree without the need for the litigant to amend their documents or the need to return to court

CURRENT STATUS

Performance Measure One Outcomes

From July 1, 2011 to May 18, 2012, about 4,600 people sought assistance from Court Help Centers around Montana. (An individual could seek services more than once from a center.)

In addition to the six counties set out in measure one in May 2012, all court clerks and judges (or judicial staff) in judicial districts with self-help services were asked to complete a survey comparing the quality of paperwork submitted by self-represented litigants who have visited a center and those who have not visited a center. This survey asked for general observations about whether Court Help assistance improves the quality of the paperwork and the ability of the court to process the cases, as well as the efficiency of the court to process these cases.

Clerks of District Court Responses

A total of 44 clerks of court responded to the survey. A large majority of clerks (71%) were able to identify a difference in the level of preparedness when a self-represented litigant received Court Help services.

Differences identified include:

- 93% note the litigant has completely filled out legal forms
- 89% note the litigant's filing contains all required documents
- 69% note the litigant has filed paperwork in the correct order
- 58% note the litigant has complied with local rules and filing requirements
- 42% note the litigant has an enhanced understanding of the legal process
- 39% note the litigant is prepared for court hearings

Clerks also noted:

- Where the litigant received Court Help services, clerks spend less time discussing filing requirements with the litigant (53% "agree" or "strongly agree" while 36% somewhat agree)
- Where the self-represented individual received Court Help services, litigants make fewer unsuccessful attempts at filing documents (52% "agree" or "strongly agree" while 24% "somewhat agree")

Clerks provided other general comments including (comments are paraphrased):

- Litigants who have received help have a better general understanding and attitude about the process and the tasks they are undertaking by proceeding as a self-represented litigant
- They are always organized and we don't have to explain a lot of procedures
- Litigants are less frustrated, more organized, have an idea of what to expect from us and the court. They don't yell at us nearly as often

Clerks also identified common pitfalls for individuals representing themselves:

- 100% indicate that understanding the legal process is a challenge
- 79% indicate that understanding the law is a challenge
- 40% indicate access to legal forms is a challenge
- 37% indicate that literacy is a challenge

District Court Judges' Responses

A total of 19 judges (or judicial staff) responded to the survey. A large majority (84%) were able to identify whether a self-represented litigant received Court Help services.

A very large majority (94.4%) of the judges and judicial staff were able to identify a difference in the level of preparedness when a self-represented litigant received Court Help services.

Differences identified include:

- 93% note the litigant has completely filled out legal forms
- 88% note the litigant's filing contains all required documents
- 75% note the litigant has filed paperwork in the correct order
- 68% note the litigant is prepared for court hearings
- 62% note the litigant has complied with local rules and filing requirements
- 50% note the litigant has an enhanced understanding of the legal process

Judges also noted:

- Where the litigant received Court Help services, clerks spend less time discussing filing requirements with the litigant (73% "agree" or "strongly agree")
- Where the self-represented individual received Court Help services, litigants make fewer unsuccessful attempts at filing documents (79% "agree" or "strongly agree")

Judges also identified common pitfalls for individuals representing themselves:

- 94% indicate that understanding the legal process is a challenge
- 78% indicate that understanding the law is a challenge
- 50% indicate access to legal forms is a challenge
- 50% indicate that literacy is a challenge

Judges provided other general comments (both positive and negative) including (comments are paraphrased):

- Litigants receiving Court Help services have a better understanding of the process and what to expect in court
- They (litigants) are always organized and we don't have to explain a lot of procedures
- Litigants appear more confident
- Less time wasted for the courts and clerks
- Litigants are prepared for their hearing and are confident in their testimony and demeanor
- Litigants fail to follow the instructions and don't know how to present necessary evidence to allow the judge to make a decision
- There is only a difference in the initial forms; they still have no idea of rules of civil procedure or evidence
- Nothing is foolproof and some people don't get it even with help

Performance Measure Two Outcomes

In the 13th Judicial District (Yellowstone County) law and motion clinics were conducted once each month from January through May 2012 and served 159 self-represented litigants in uncontested family law cases. A total of 22 volunteer attorney slots were provided during these clinics. A total of five judges and eight court clerks were involved in the clinics and subsequently surveyed as part of the pilot project. The 13th Judicial District has the largest number of family law case filings with 1,891 cases filed in 2011.

Self-represented litigants who received assistance from volunteer attorneys at the monthly law and motion clinics reported improved understanding and confidence in the court's decision:

- 90% of the individual self-represented litigants responded that the volunteer attorney assistance received at these clinics "greatly improved" their ability to finalize their family law matter

- 94% stated this assistance “greatly improved” their ability to review, understand or complete their final documents
- Assistance received after the hearing (filing documents, obtaining necessary copies and reviewing information about additional steps necessary) was found to “greatly improve” (59%) or somewhat improve (24%) the understanding of the self-represented litigants assisted in the clinics

Court clerks reported self-represented individuals were better prepared with more accurate documents:

- 100% of clerks indicated the clinics “somewhat improved” to “greatly improved” the efficiency in preparing for hearings
- 88% found the completeness of documents was also “somewhat” to “greatly improved”
- 88% of clerks reported measurable to substantial time savings and improved efficiency due to the clinics

Judges also observed the self-represented individuals were better prepared with more complete documents, all of which contributed to court efficiency and a better understanding of the court process.

- 100% of responding judges indicated the sufficiency, completeness and accuracy of self-represented litigants’ final documents as compared to previous final documents of non-assisted self-represented litigants was “greatly improved”
- 100% of responding judges indicated that self-represented family law litigants were “much more prepared” for hearings after attending the clinic
- 100% of responding judges indicated the time and efficiency value of the law and motion clinic to judges and staff was “somewhat improved” to “greatly improved”, resulting in measureable time savings
- All but one judge believed the volunteer attorney’s assistance in preventing errors will reduce the number of self-represented litigants seeking revision of a court’s order. One judge believed litigants would seek future revisions based on personal circumstances rather than incorrect forms

Volunteer attorneys concluded their assistance prior to the hearing did enhance how well prepared litigants were for a hearing and the documents were more accurate and complete.

- 75% of these attorneys indicate their involvement “greatly improved” the quality, accuracy and completeness of final documents for all litigants they assisted, while 25% considered their involvement “somewhat improved” these elements
- 85% of the volunteer attorneys state the self-represented litigants they assisted “greatly improved” how prepared they were for hearing, and the remaining 15% considered these individuals “somewhat improved” in their preparedness

The law and motion clinic pilot program is currently under review by the judges in the 13th Judicial District as to if and how they would like to continue this program for self-represented litigants. If continued, the program will be offered to other judicial districts with support from legal services developer charged with supporting pro bono attorney involvement.

POTENTIAL OPTIONS OR DECISION POINTS

This report updates the committee on progress of the Court Help pilot project and no committee actions are expected. Outcome data may be helpful during the 2013 Legislature when evaluating funding requests for the Court Help Program.